

***MENDHAM TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION***

AUDITORS MANAGEMENT REPORT

FISCAL YEAR ENDED JUNE 30, 2015

MENDHAM TOWNSHIP SCHOOL DISTRICT BOARD OF EDUCATION

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page No.</u>
Report of Independent Auditors	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	N/A
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2
Reserve for Encumbrances and Accounts Payable	2
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act/Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001	3
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requirement Advertisement for Bids	4
School Food Service	5
Student Body Activities	5
Application for State School Aid	5
Pupil Transportation	6
Follow-up on Prior Year Findings	6
Acknowledgment	6
Schedule of Milk Count Activity	7
Net Cash Resource Schedule	N/A
Schedule of Audited Enrollments	8-10
Excess Surplus Calculation	11

CANNONE AND COMPANY, P.A.
Certified Public Accountants
485 Morris Avenue
Springfield, New Jersey 07081
(973) 379-6868
FAX (973) 379-6278

MEMBER:
American Society of Certified Public Accountants
New Jersey Society of Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

The Honorable President and
Members of the Board of Education
Mendham Township School District
County of Morris
18 West Main Street, Box 510
Brookside, NJ 07926

We have audited, in accordance with audit standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Mendham Township School District's Board of Education in the County of Morris for the year ended June 30, 2015, and have issued our report thereon dated November 30, 2015.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Mendham Township School District's Board of Education management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Nicholas A. Cannone
Licensed Public School Accountant
No. CS-02103
Cannone & Company, CPAs

November 30, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the Statistical Section of the District's CAFR.

Adequacy of insurance coverage is the responsibility of the Board of Education.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Mr. Thomas Kryger	Board Secretary/School Business Administrator	\$ 200,000
Jonathan S. Rheinhardt	Treasurer	\$ 200,000

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Reserve for Encumbrances and Accounts Payable

All encumbrances and accounts payable at June 30, 2015 were properly recorded and classified.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The Board Secretary's Records were found to be in order with the following exception:

Finding: Budgetary line account for Student Transportation Services Salaries was over-expended during the fiscal year.

Recommendation: Approved budgetary line accounts should not be over-expended.

Finding: The Enterprise Funds did not reimburse the General Fund for incurred expenses in a timely fashion.

Recommendation: Expenditures made by the district on behalf of the enterprise funds should be reimbursed in a timely fashion.

Finding: Revenues and Appropriations reported in the Original Advertise Budget for the Fiscal year ended June 30, 2015 were not reported correctly in the District's Revenue Report and the DOE Budget Report.

Recommendation: The District's Revenue Report and DOE Budget Report should Report the Original Budget results.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer did not include any areas of non-compliance.

Elementary and Secondary Education Act/Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects did not indicate any areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is \$18,300 for 2014-15.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where questions arise as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A.* 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A.* 18A:18A-5.

School Food Service

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Net cash resources did not exceed three months average expenditures.

The District does not participate in the National School Lunch Program. Therefore there was no review of free and reduced meals.

U.S.D.A. Food Distribution Program (food and/or commodities) were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

Our review of the Food Service Program did not indicate any areas of non-compliance.

Student Body Activities

Our review of the Student Activity Funds did not indicate any areas of noncompliance.

Application for State School Aid

Our audit procedures included a test of information reported in the October Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers. The information that was included on the workpapers was verified. Any errors or exceptions were rectified. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2014-15 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Follow-up on Prior Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

**MENDHAM TOWNSHIP SCHOOL DISTRICT BOARD OF EDUCATION
COUNTY OF MORRIS
SCHEDULE OF MILK COUNT ACTIVITY
NUMBER OF MILKS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS - FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(MEMORANDUM ONLY)**

Not Applicable

**MENDHAM TOWNSHIP SCHOOL DISTRICT BOARD OF EDUCATION
COUNTY OF MORRIS
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	2015-2016 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on A.S.S.A. on Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi-cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool																	
Full Day Preschool	21		21					21		21							
Half Day Kindegarten																	
Full Day Kindergarten	52		52					52		52							
One	45		45					45		45							
Two	59		59					59		59							
Three	46		46					46		46							
Four	55		55					55		55							
Five	83		83					83		83							
Six	80		80					80		80							
Seven	86		86					86		86							
Eight	70		70					70		70							
Nine																	
Ten																	
Eleven																	
Twelve																	
Post-Graduate																	
Adult H.S. (15+CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	<u>597</u>	<u>0</u>	<u>597</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>597</u>	<u>0</u>	<u>597</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Education:																	
Elementary School	53		53										1	1	1		
Middle School	56		56										5	5	5		
High School																	
Subtotal	<u>109</u>	<u>0</u>	<u>109</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	<u>706</u>	<u>0</u>	<u>706</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>597</u>	<u>0</u>	<u>597</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>0</u>	<u>0</u>
Percentage Error					<u>0.00%</u>	<u>0.00%</u>											<u>0.00%</u>

Note: District was unable to provide workpapers substantiating the number of students reported on the ASSA.

MENDHAM TOWNSHIP SCHOOL DISTRICT BOARD OF EDUCATION
 COUNTY OF MORRIS
 SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2014

	Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One												
Two							1	1		1	1	
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Subtotal	0	0	0	0	0	0	1	1	0	1	1	0
Special Education:												
Elementary School												
Middle School												
High School												
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Totals	0	0	0	0	0	0	1	1	0	1	1	0
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation						Reported	Re-Calculated	
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors			
Regular - Public Schools	365	362	3	365	362	3	Average Mileage - Regular Including Grade PK students	4.6	4.6
Regular - Special Education	58	58	0	58	58	0	Average Mileage - Regular Excluding Grade PK students	4.7	4.7
Transported - Non-Public	67	67	0	67	67	0	Average Mileage - Special Ed with Special Needs	7.9	7.9
Special Ed Spec	12	12	0	12	12	0			
Totals	502	499	3	502	499	3			
Percentage Error						0.6%			

**MENDHAM TOWNSHIP SCHOOL DISTRICT BOARD OF EDUCATION
 COUNTY OF MORRIS
 SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2014**

	<u>LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindegarten						
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Education:						
Elementary School						
Middle School						
High School						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

Note: District was unable to provide workpapers substantiating the number of students reported on the ASSA.

**MENDHAM TOWNSHIP SCHOOL DISTRICT BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
As of June 30, 2015**

Section 1

A. 2% Calculation of Excess Surplus

2015 Total General Fund Expenditures per the CAFR	\$ 17,345,413
Increased by:	
Transfer from Capital Reserve to Capital Projects	\$
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 1,350,551
Assets Acquired under Capital Leases	228,440
	<hr/>
Adjusted 14-15 General Fund Expenditures	\$ 15,766,422
2% of Adjusted 2014-15 General Fund Expenditures	\$ 315,328
Increased by Allowable Adjustment	<u>148,585</u>
Maximum Unreserved/Undesignated Fund Balance	\$ <u><u>463,913</u></u>

Section 2

Total General Fund Balances @ 06/30/15	\$ 2,353,112
Decreased by:	
Reserved for Encumbrances	\$ 10,771
Excess Surplus- Designated for Subsequent Year's Expenditures	437,198
Other Reserved Fund Balances	743,544
Unreserved --Designated for Subsequent Year's Expenditures	<u>131,772</u>
Total Unreserved/Undesignated Fund Balance	\$ 1,029,827
Increased by:	
Adjustment for Disallowed Transfers per S1701	\$ <u>-</u>
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation	\$ <u><u>1,029,827</u></u>

Section 3

Reserved Fund Balance - Excess Surplus	\$ <u>565,914</u>
--	-------------------

Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus -- Designated for Subsequent Year's Expenditures	\$ 437,198
Reserved Excess Surplus	<u>565,914</u>
Total	\$ 1,003,112

Detail of Allowable Adjustments

Impact Aid	\$ -
Sale and Lease-back	-
Extraordinary Aid	129,975
Additional Non public School Transportation Aid	18,610
Higher Expectations for Learning and Proficiency Aid	<u>-</u>
Total Adjustments	\$ 148,585

Detail of Other Reserved Fund Balance

Statutory Restrictions:	
Approved unspent separate proposal	\$ -
Capital Outlay for a district with a Capital Outlay SGLA	-
Sale/Lease-Back Reserve	-
Capital Reserve	608,286
Maintenance Reserve	135,258
Emergency Reserve	-
Tuition Reserve	-
Other State/Government Mandated Reserve	<u>-</u>

[Other Reserved Fund Balance not noted above]

Total Other Reserved Fund Balance	\$ <u><u>743,544</u></u>
-----------------------------------	--------------------------