

**BOARD OF EDUCATION  
LONG HILL TOWNSHIP  
AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS, FINANCIAL, COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2015**

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

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December 7, 2015

Honorable President and Members  
of the Board of Education  
Long Hill Township  
County of Morris, New Jersey

We have audited, in accordance with auditing 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 Board of Education of the Long Hill Township School District in the County of Morris for the year ended June 30, 2015, and have issued our report thereon dated December 7, 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 Long Hill Township Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

## SCOPE OF AUDIT

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

## SCHOOL PURCHASING PROGRAMS

### Contracts and Agreements Requiring Advertisement for Bids

#### NJSA 18A:18A-3 States:

- A. "Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of which, together with any other sums expended or foreseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds, does not exceed the total sum of \$7,500 or the amount determined pursuant to subsection B. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made, negotiated and awarded by a contracting agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore."
- B. "Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection A. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and the Philadelphia area as reported by the United States Department of Labor. The Governor shall notify all Local school districts of the adjustment. The adjustment shall become effective on July 1, of the year in which it is reported."

#### NJSA 18A:18A:-4 States:

"Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of school funds, not included within the terms of NJSA 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to NJSA 18A:18A-3 except by contract or agreement."

Effective April 17, 2000, NJSA 18A:18A (Public School Contracts Law) was revised by PL 1999 Ch 440. The associated rules were drafted by the Department of Local Government Services of the State of New Jersey, with consultation from the Commissioner of Education of New Jersey.

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with NJSA 18A:18A-3 (as amended) and 18A:39-3 are \$29,000 and \$18,800 respectively.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises 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.

In accordance with 18A:18A-3a and NJAC 5:34-5 et seq. the Board of Education has appointed a "Qualified Purchasing Agent" which allows the Board of Education to increase the bid threshold and to grant the authorization to negotiate contracts below the bid threshold.

## SCHOOL PURCHASING PROGRAMS (Cont'd)

### Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

Our examination of the minutes indicated that contracts were awarded for the following:

Transportation	Contract Services
Reading Instructor	Cupola Repairs
Behavioral Consultant	HVAC Upgrades
Media Center Renovations	Roof Replacements
Health Benefits Consultant	Substitute Calling Services
Special Education Services	Central School Nurses Suite

As the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies the results of such an accumulation could not reasonably be ascertained. Expenditures were reviewed, however, to determine whether any clear cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory threshold where there had been no advertising for bids in accordance with the provision of NJSA 18A:18A-4.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by State Department of Purchase and Property pursuant to Chapter 114, PL 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that the following purchases were made through the use of state contracts:

Ford Truck  
Paper Supplies  
Technology Equipment & Supplies

Purchases were also made through cooperative agreements for the following:

Natural Gas	Custodial Supplies
Electricity	Insurance
Copier Usage	Teaching Supplies
Transportation	Technology Supplies
Grant Administration	

## ADMINISTRATIVE PRACTICES AND PROCEDURES

### Insurance

Fire and other insurance coverage evidenced by policies was carried in the amounts as reflected in the Insurance Schedule included in the District's Comprehensive Annual Financial Report.

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

## ADMINISTRATIVE PRACTICES AND PROCEDURES (Cont'd)

### Official Bonds (NJSA 18A:17-26 18A:17-32)

Surety bond coverage in force during the period was:

<u>Name of Employee</u>	<u>Position</u>	<u>Amount</u>
John Esposito	Secretary/Business Administrator	\$ 250,000

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING

### Examination of Claims

An examination of claims paid during the period under review indicated nominal discrepancies with respect to signatures, certification or supporting documentation.

Finding: A contract for special services was awarded by resolution for an amount not to exceed \$25,000 however, payments were made in total of \$32,737.

Suggestion: When it is expected that total payments will exceed stipulated amounts a revised resolution is to be passed authorizing additional amounts.

### Special Federal and/or State Projects

Our examination of the Special Projects, 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 contained within the CAFR represent a true statement of the financial position pertaining to the aforementioned special projects.

### 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 Chief School Administrator and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies with minor exception.

### Reserve for Encumbrances, Liability (Current) for Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Cont'd)

### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with NJAC 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 NJAC 6A:23A-8.2. As a result of the procedures performed, a nominal transaction error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### Board Secretary's Accounting Records

The records of the Board Secretary were maintained in fair order.

### Treasurer's Records

Per PL 2010, Ch 39 the position of Treasurer was made optional. The Board of Education has opted not to appoint a Treasurer for the District. The records of the individual performing the duties of this position have been reviewed and those records have been maintained in good order.

### Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

### TPAF (Social Security) 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 MILK SERVICE**

### Milk Service Fund

The financial transactions and statistical records of the Special Milk Fund were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed for completeness and accuracy.

The amounts claimed for reimbursement were verified against sales records. Reimbursement vouchers were filed.

Expenditures were separately recorded as milk and other costs.

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 milk service. Net cash resources exceeded three months average expenditures.

Cash receipt and bank records were reviewed for timely deposits. No exceptions were noted.

Exhibits reflecting the Milk Service Fund operations are included in the section entitled Enterprise Funds in the CAFR.

## **APPLICATION FOR STATE SCHOOL AID**

Our audit procedures included a test of the information reported in the October 15, 2014 Application for State School Aid (ASSA) Data Listing for on-roll, private schools for the handicapped, and transportation. We also performed a review of the district procedures related to its completion. The information on the data listing was compared to the district work papers with no exception. The information that was included on the work papers was verified with no exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained work papers 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 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility summary report with nominal exception. 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. No exceptions were noted in our review of transportation related purchases of goods and services.

## **SCHEDULE OF FINDINGS OF NONCOMPLIANCE**

There were no findings of noncompliance as a result of this audit pertaining to federal or state financial assistance.

## **TPAF REIMBURSEMENT TO THE STATE FOR FEDERAL SALARY EXPENDITURES**

The reimbursement to the State to reimburse for the TPAF/FICA payments made by the State on-behalf of the District for those employees whose salaries are identified as being paid from federal funds was made prior to the 90 days required by NJSA 18A:66-90. Accordingly, the expenditure was made in accordance with State law (within 90 days).

## OTHER MATTERS

Finding: The audit of student activity funds reflected that not all deposits were made in a timely manner.

Suggestion: Deposits of student activity funds are to be made in a timely manner.

Finding: Receipts of payroll agency activity are not detailed as to type of withholding item that is deposited.

Suggestion: Payroll agency deposits are to be detailed as to type of withholdings that are deposited.

LONG HILL TOWNSHIP BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

	2015-2016 Application for State School Aid						Sample for Verification				Private Schools for Disabled									
	Reported on ASSA On Roll		Workpapers On Roll		Errors		Selected from Workpapers		Registers On Roll		Errors per Registers On Roll		Reported on ASSA as Private Schools		Sample Verification		Sample Errors			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared		
Half Day Preschool Age 3	3		3				2		2											
Full Day Preschool Age 3					1		1		1											
Half Day Preschool Age 4	8		7		1		1		1											
Full Day Preschool Age 4			1		1				1											
Half Day Kindergarten	76		76				20		20											
Full Day Kindergarten	65		65				17		17											
One	57		57				17		17											
Two	85		85				22		22											
Three	60		59		1		16		16											
Four	77		77				23		23											
Five	76		76				22		22											
Six	103		103				29		29											
Seven	86		86				24		24											
Eight																				
Nine																				
Ten																				
Eleven																				
Twelve																				
Post-Graduate																				
Adult HS (15+CR)																				
Adult HS (1-14CR)					3		194		194											
Subtotal	696	-	695	-	3	-	194	-	194	-	-	-	-	-	-	-	-	-	-	
Special Education-Elementary	85		86		1		39		39											
Special Education-Middle	49		49				12		12											
Special Education-High School																				
Subtotal	134	-	135	-	1	-	51	-	51	-	-	-	-	-	-	-	-	-	-	
County Vocational-Regular																				
County Vocational-Full Time Post Sec.																				
Totals	830	-	830	-	4	-	245	-	245	-	-	-	-	-	-	-	-	-	-	
Percentage Error					0.48%															0.00%

LONG HILL TOWNSHIP BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014  
(Continued)

SCHEDULE OF AUDITED ENROLLMENTS

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on ASHA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application & Register	Sample Errors	Reported on ASHA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score & Register	Sample Errors
Half Day Preschool Age 3	4	4		4	4		3	3		3	3	
Full Day Preschool Age 3	1	1		1	1							
Half Day Preschool Age 4	2	2		2	2		1	1	1	1	1	
Full Day Preschool Age 4	1	1		1	1		1	1		1	1	
Half Day Kindergarten	1	2	1	2	2		1	1		1	1	
Full Day Kindergarten	2	2		2	2		1	1	1	1	1	
One	3	3		3	3							
Two	2	2		2	2							
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult HS (15+CR)												
Adult HS (1-14CR)												
Subtotal	16	17	1	17	17	-	6	6	2	6	6	-
Special Education-Elementary	10	10		10	10		3	3		3	3	
Special Education-Middle	1	1		1	1		1	1		1	1	
Special Education-High School												
Subtotal	11	11	-	11	11	-	4	4		4	4	-
County Vocational-Regular												
City Vocational-I/FT Post Sec.												
Totals	27	28	1	28	28	-	10	10	2	10	10	-
Percentage			3.70%			0.00%			20.00%			0.00%

LONG HILL TOWNSHIP BOARD OF EDUCATION  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2014  
 (Continued)

SCHEDULE OF AUDITED ENROLLMENTS

	Resident LEP Not Low Income			Sample for Verification		
	Reported on ASOA as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Application & Register	Sample Errors
Full Day Kindergarten	3	3		3	3	
One	4	4		4	4	
Two	2	2		2	2	
Three	2	1	1	1	1	
Four						
Five						
Six						
Seven	1	1		1	1	
Eight	1	1		1	1	
Special Education-Elementary	1	1		1	1	
Special Education-Middle	14	13	1.00	13	13	
Percentage			7.14%			0.00%

	Transportation		
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Sample Errors
Regular-Public Schools	344	344	
Regular-Special Education	15	15	
Public School-With Special Needs	3	3	
Non-Public	39	39	
AIL-Non Public	62	62	
AIL Charter School	5	5	
Out of District Public Schools-Without Special Needs	3	3	
Private School Disabled-With Special Needs	471	471	
Percentage			0.00%

**LONG HILL TOWNSHIP SCHOOL DISTRICT  
2015 EXCESS SURPLUS CALCULATION**

**SECTION 1**2% Calculation of Excess Surplus

2014-2015 Total General Fund Expenditures Per the CAFR, Exhibit C-1	\$ 16,117,677	(B)	
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	-	(B1a)	
Transfer from Capital Reserve to Capital Projects Fund	-	(B1b)	
Transfer from General Fund to SRF for Pre K-Regular	-	(B1c)	
Transfer from General Fund to SRF for Pre K-Inclusion	-		
Transfer to Unemployment Compensation Fund	-	(B1e)	
Decreased by:			
On-Behalf TPAF Pension & Social Security	1,363,588	(B2a)	
Assets Acquired Under Capital Leases	<u>-</u>	(B2b)	
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 14,754,089</u>	(B3)	
2% of Adjusted 2014-2015 General Fund Expenditures [(B3) Times .02]	\$ 295,082	(B4)	
Enter Greater of (B4) or \$250,000	295,082	(B5)	
Increased by: Allowable Adjustment	<u>156,151</u>	(K)	
Maximum Unassigned/Undesignated Fund Balance [(B5)+(K)]			<u>\$ 451,233 (M)</u>

**SECTION 2**

Total General Fund-Fund Balances @ 06/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 3,045,291	(C)	
Decreased by:			
Year-End Encumbrances	209,792	(C1)	
Legally Restricted-Designated for Subsequent Year's Expenditures	-	(C2)	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	295,456	(C3)	
Other Restricted Fund Balances	1,817,695	(C4)	
Assigned Fund Balance-Designated for Subsequent Year's Expenditures	<u>-</u>	(C5)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]			<u>\$ 722,348 (U)</u>

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**2015 EXCESS SURPLUS CALCULATION**  
(Continued)

**SECTION 3**

Restricted Fund Balance-Excess Surplus [(U)-(M)] if Negative Enter -0-	\$	<u>271,115</u>	(E)
 <u>Recapitulation of Excess Surplus as of June 30, 2015</u>			
Reserve Excess Surplus-Designated for Subsequent Year's Expenditures	\$	295,456	(C3)
Reserve Excess Surplus (E)		<u>271,115</u>	(E)
 Total Excess Surplus [(C3) + (E)]		 <u>\$ 566,571</u>	 (D)

Detail of Allowable Adjustments

Impact Aid	\$	-	(H)
Sale and Lease Back		-	(I)
Extraordinary Aid		144,319	(J1)
Additional Nonpublic Transportation Aid		<u>11,832</u>	(J2)
 Total Adjustments	 \$	 <u>156,151</u>	 (K)

Detail of Other Reserved Fund Balance

<u>Statutory Restrictions:</u>			
Approved Unspent Separate Proposal	\$	-	
Sale/Lease-Back Reserve		-	
Capital Reserve		1,691,075	
Maintenance Reserve		126,620	
Emergency Reserve		-	
Waiver Offset Reserve-Designated for Subsequent Year		-	
Tuition Reserve		-	
Other State/Government Mandated Reserve		-	
Other Restricted Fund Balance Not Noted Above		<u>-</u>	
 Total Other Restricted Fund Balance	 \$	 <u>1,817,695</u>	 (C4)



\_\_\_\_\_  
William M. Colantano CPA, Public School Accountant

## SUGGESTIONS

1. When it is expected that total payments will exceed stipulated amounts a revised resolution is to be passed authorizing additional amounts.
2. Deposits of student activity funds are to be made in a timely manner.
3. Payroll agency deposits are to be detailed as to type of withholdings that are deposited.

## RECOMMENDATIONS

No recommendations have been developed as a result of this audit.

## STATUS OF PRIOR YEAR RECOMMENDATIONS

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action was taken on all prior year findings.

\*\*\*\*\*

The foregoing conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the financial statements, and this report of such conditions does not modify our report dated December 7, 2015.

Should any questions arise as to our comments, please do not hesitate to contact us.

We wish to express our appreciation for the assistance and courtesies rendered by the school officials and employees during the course of the examination.



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William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128