

WEST ESSEX REGIONAL SCHOOL DISTRICT
COUNTY OF ESSEX
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

WEST ESSEX REGIONAL SCHOOL DISTRICT
COUNTY OF ESSEX
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
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November 20, 2015

The Honorable President and Members
of the Board of Education
West Essex Regional School District
County of Essex, NJ

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 financial statements of the Board of Education of the West Essex Regional School District in the County of Essex for the year ended June 30, 2015, and have issued our report thereon dated November 20, 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.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

NISIVOCCIA LLP

William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, 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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Kerry Ann Keane	Treasurer of School Monies	\$ 250,000
Pamela Hinman	Business Administrator/Board Secretary	125,000

The District has Employee Dishonesty and Faithful Performance coverage through the School Alliance Insurance Fund as detailed on Exhibit J-20 of the CAFR.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C. 6A:23A-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review indicated overall compliance with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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. Salary withholdings were promptly remitted to the proper agencies, including current year health benefits withholding due to the general fund.

All payrolls were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrators and the Chief School Administrator. Payrolls were delivered to the Treasurer of School Monies with a warrant to her order for the full amount of the payroll.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent, and business administrator) to the NJ Department of Treasury was filed in a timely manner.

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account and Position Control Roster (Cont'd)

Finding:

During our review of the Payroll Agency account it was noted that the account had a deficit balance at year end. The District subsequently funded the shortage after year end; thus, a formal recommendation is judged to be unwarranted at this time.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Finding:

During our review of year end encumbrances and accounts payable, we noted that although the District reviewed outstanding purchase orders at year end to determine their validity, they were not being properly accounted for in the accounting records to properly reflect the true balances as of June 30, 2015 as either an accounts payable or encumbrance.

Recommendation:

It is recommended that all outstanding purchase orders as of June 30 be reviewed and properly accounted for.

Management's Response:

All issued purchase orders outstanding at year end will be reviewed and properly classified in the future.

Classification of Expenditures – General and Administrative

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-8.2 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-16.2(f). Overall compliance was noted.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

No Child Left Behind (N.C.L.B.)

The N.C.L.B. financial exhibits are contained herein within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I and Title II of the No Child Left Behind Act.

The study of compliance for the N.C.L.B. did not indicate any area of noncompliance.

Other Special Federal and/or State Projects

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 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.

T.P.A.F. Reimbursement

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2015. The reimbursement form was reviewed and no exceptions were noted.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the District to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Education and Superintendent and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred. Overall compliance was noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

School Purchasing Programs (Cont'd)

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

for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L.1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law"

Effective July 1, 2010 and thereafter 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 currently \$18,300.

As per N.J.S.A. 18A:18A-3, the Board passed a resolution authorizing the Business Administrator as a qualified purchasing agent and increasing the bid threshold to \$36,000.

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 Attorney's opinion should be sought before a commitment is made.

Inasmuch 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. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No exceptions were noted.

Based upon the results of our examination, we did not note any individual payments, contracts, or agreements 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, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 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 the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

School Food Service

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted. Food Service accounting records maintained by the District's central administration office were reconciled with the records maintained by the food service contractor.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified on a test basis. 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 nonprofit status of the School Food Service Fund. Net cash resources did not exceed three months average expenditures.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

The District utilizes a food service management company (FMSC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The FMSC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Time sheets and payroll records provided to the District from the Food Service contractor were reviewed on a test basis.

The District does not participate in the Child Nutrition Program.

The District has a Type 2 SOC1 report (Service Organization Controls Report) of the food service management company on file as required by state requirements.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records.

Finding:

During our review of student activities records, we noted instances where purchase orders were not always prepared prior to all purchases. It was also noted that a receipt of goods signature and/or vendor's claimant signature were not consistently obtained for all cash disbursements.

Recommendation:

It is recommended that purchase orders are prepared prior to all purchases and that a receipt of goods certification and vendor's claimant signature are obtained prior to all payments.

Management's Response:

The Business Administrator will communicate all of the bookkeeping requirements to the schools and will make arrangements to provide assistance to them, if necessary, in their implementation.

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low income students and bilingual education. 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 without exception. The information that was included on the workpapers was verified on a test basis with a minor exception. 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's written procedures for the recording of student enrollment data appear to be adequate.

Pupil Transportation

Our audit procedures included a test of on-roll status reported on 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 without 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.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

Finding:

During our review it was noted that the Middle School improvements project has been complete for a few years and an outstanding SDA grant receivable still remains. The District should continue to pursue the collection of the remaining receivable.

Recommendation:

It is recommended that the District continue to pursue the collection of the remaining SDA receivable.

Management's Response:

The Business Administrator will continue to pursue the collection of the SDA receivable.

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Management Suggestions

Surety Bond Coverage

The duties of the Business Administrator have evolved over the last few decades into a position that is responsible for the collection, disbursement, and investment of the School's main funds. At the time of the passage of the statute delineating the duties of the Treasurer of School Monies the aforementioned duties were to be the responsibility of the Treasurer. Also, the statute that established the requirement for the amount of the Treasurer's bond did not contemplate the evolution of the Business Administrator's position. As a result the person most intimately involved in the handling of the main School funds is not required to be bonded in an amount commensurate with the related responsibilities. We suggest that the position of the Business Administrator be bonded in an amount at least equal to the required bond for the Treasurer of School Monies.

Single Audit

Effective for the fiscal year ended June 30, 2016, there will be significant changes to the Single Audit. These changes include the following:

- An increase in the single audit threshold
- Low risk auditee criteria
- Type A and B threshold
- Coverage requirements for major programs tested for both low risk and non-low risk auditees.

Additionally, the cost principles and administrative requirements such as A-87 have been consolidated under the *OMB Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards*. This guidance was effective December 26, 2014 for all new federal awards and for any additional funding for existing awards made after December 26, 2014.

Governmental Accounting Standards Board Statements:

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the District will be GASB#75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB#45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* GASB#68 in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the New Jersey Division of Pensions.

Deferred Compensation Plans

The District has a fiduciary responsibility to its employees related to the deferred compensation plans offered by the District. The District should consider a periodic review of the benefits, features, costs, and performance of its deferred compensation plans and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the District's fiduciary responsibilities.

WEST ESSEX REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Management Suggestions (Cont'd)

Independent Contractors vs. Employees

The District should consider reviewing the status of "Independent Contractors" utilized by the District with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

Status of Prior Year Findings/Recommendations

The prior year recommendations regarding student participation activity fees being properly accounted for as revenue in the General Fund, employee health benefit contributions being transferred to the General Fund and recorded as an offset to health benefit expenditures in a timely manner, state contract vendor files being maintained, supporting and documenting information related to the applicable state contracts utilized by the District, all purchases entered into pursuant to a cooperative purchasing program, which exceeds the bid threshold be approved by Board resolution, all student activity checks be made payable to a vendor or individual and not made payable to cash and post travel reports being properly obtained and filed with travel expense voucher documentation were resolved in the current year. The prior year recommendation regarding the proper classification as an accounts payable or encumbrance was partially resolved in the current year and the prior year recommendation regarding the District continuing to pursue the collection of the remaining SDA receivable were not resolved and are included as current year recommendations.

WEST ESSEX REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 15, 2014

	2015-16 Application for State School Aid						Sample for Verification					
	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	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Grade Seven	248		248				248		248			
Grade Eight	254		254				254		254			
Grade Nine	209		209				209		209			
Grade Ten	245		245				245		245			
Grade Eleven	230		230				230		230			
Grade Twelve	225	1	225	1			225	1	225	1		
Subtotal	1,411	1	1,411	1			1,411	1	1,411	1		
Special Education:												
Middle School	76		76				17		17			
High School	150	12	150	12			32		32			
Subtotal	226		226				49		49			
Totals	1,637	1	1,637	1	-0-	-0-	1,460	1	1,460	1	-0-	-0-
Percentage Error					0.00%	0.00%					0.00%	0.00%

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	<u>Private Schools for Disabled</u>			
	<u>Reported on ASSA as Private Schools</u>	<u>Sample for Verification</u>	<u>Sample Verified</u>	<u>Sample Errors</u>
Special Education:				
Middle School	12	9	9	
High School	27	20	20	
Totals	<u>39</u>	<u>29</u>	<u>29</u>	<u>-0-</u>
Percentage Error				<u>0.00%</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident Low Income			Sample for Verification		
	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Grade Seven	7	7		6	6	
Grade Eight	6	6		4	4	
Grade Nine	5	5		4	4	
Grade Ten	3	3		2	2	
Grade Eleven	4	4		3	3	
Grade Twelve	3	3		2	2	
Subtotal	28	28		21	21	
Special Education:						
Middle School	8	8		6	6	
High School	5	5		4	4	
Subtotal	13	13		10	10	
Totals	41	41	-0-	31	31	-0-
Percentage Error			0.00%			0.00%

WEST ESSEX REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident LEP Low Income					Resident LEP Not Low Income					
	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Test Scores, Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Grade Nine	2	2	2	2							
Grade Ten						1	1		1	1	
Grade Eleven	1	1	1	1							
Subtotal	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>		<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>	
Totals	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>-0-</u>	<u>1</u>	<u>1</u>	<u>-0-</u>	<u>1</u>	<u>1</u>	<u>-0-</u>
Percentage Error		<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0%</u>

WEST ESSEX REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	940	940		82	82	
Regular - Special Education	127.5	127.5		23	23	
Transported - Non Public	2	2		2		2
AIL Non- Public	351	351		35	35	
Special Needs - Public	11.5	11.5		2	2	
Special Needs - Private	28	28		4	4	
Totals	<u>1,460</u>	<u>1,460</u>	<u>-0-</u>	<u>148</u>	<u>146</u>	<u>2</u>
Percentage Error			<u>0.00%</u>			<u>1.35%</u>

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	5.0	5.0
Average Mileage - Regular Excluding Grade PK Students	5.0	5.0
Average Mileage - Special Education with Special Needs	14.4	14.4

WEST ESSEX REGIONAL SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2015

EXCESS SURPLUS CALCULATION**REGULAR DISTRICT****SECTION 1****A. 2% Calculation of Excess Surplus**

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 39,088,227</u> (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ -0-</u> (B1b)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 2,908,761</u> (B2a)	
Assets Acquired Under Capital Leases	<u>\$ 780,000</u> (B2b)	
Adjusted 14-15 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 35,399,466</u> (B3)	
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	<u>\$ 707,989</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 707,989</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ 529,903</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 1,237,892</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/15 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 5,361,067</u> (C)	
Decreased by:		
Year End Encumbrances	<u>\$ 457,622</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C3)	
Other Restricted/Reserved Fund Balances	<u>\$ 3,281,916</u> (C4)	
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ 383,637</u> (C5)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 1,237,892</u> (U1)
Increased by:		
Adjustment for Disallowed Transfers per S1701		<u>\$ -0-</u> (C6)
Total Unassigned Fund Balance for Excess Surplus Calculation (U1 + C6)		<u>\$ 1,237,892</u> (U2)

WEST ESSEX REGIONAL SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

SECTION 3

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE, ENTER -0- \$ -0- (E)

Recapitulation of Excess Surplus as of June 30, 2015

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>-0-</u> (C3)
Restricted Excess Surplus [(E)]	\$ <u>-0-</u> (E)
Fund Balance Restricted for 2014-15 per S1701	\$ <u>-0-</u> (F)
 Total [(C3)+(E)+(F)]	 \$ <u>-0-</u> (D)

Detail of Allowable Adjustments

Impact Aid	\$ <u>-0-</u> (H)
Sale and Lease Back	\$ <u>-0-</u> (I)
Extraordinary Aid	\$ <u>467,945</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>61,958</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ <u>-0-</u> (J3)
 Total Adjustments ((H)+(I)+(J1)+(J2)+(J3))	 \$ <u>529,903</u> (K)

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ <u>-0-</u>
Sale/lease-back reserve	\$ <u>-0-</u>
Capital reserve	\$ <u>3,151,916</u>
Maintenance reserve	\$ <u>130,000</u>
Emergency reserve	\$ <u>-0-</u>
Tuition reserve	\$ <u>-0-</u>
Other state/governmental mandated reserve	\$ <u>-0-</u>
 Other Restricted Fund Balance not noted above	 \$ <u>-0-</u>
 Total Other Restricted Fund Balance	 \$ <u>3,281,916</u> (C4)

WEST ESSEX REGIONAL SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2015

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
All outstanding purchase orders as of June 30 be reviewed and properly accounted for.
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
Purchase orders are prepared prior to all purchases and that a receipt of goods certification and vendor's claimant signature are obtained prior to all payments of the Student Body Activities account.
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
The District continues to pursue the collection of the remaining SDA receivable.
9. Status of Prior Year's Finding/Recommendation
The prior year recommendations regarding student participation activity fees being properly accounted for as revenue in the General Fund, employee health benefit contributions being transferred to the General Fund and recorded as an offset to health benefit expenditures in a timely manner, state contract vendor files being maintained, supporting and documenting information related to the applicable state contracts utilized by the District, all purchases entered into pursuant to a cooperative purchasing program, which exceeds the bid threshold be approved by Board resolution, all student activity checks be made payable to a vendor or individual and not made payable to cash and post travel reports being properly obtained and filed with travel expense voucher documentation were resolved in the current year. The prior year recommendation regarding the proper classification as an accounts payable or encumbrance was partially resolved in the current year and the prior year recommendation regarding the District continuing to pursue the collection of the remaining SDA receivable were not resolved and are included as current year recommendations.