

**TOWN OF BOONTON SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**TOWN OF BOONTON SCHOOL DISTRICT
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and Members
of the Board of Education
Town of Boonton School District
Boonton, 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 Town of Boonton School District as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 19, 2015.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP

Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
November 19, 2015

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, "Schedule of Insurance", as presented in the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Neves	Board Secretary/School Business Administrator	\$250,000
Jon Rheinhardt	Treasurer of School Monies	\$220,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Western Surety Company covering all other employees with multiple coverage of \$100,000.

Tuition Charges (N/A to charter schools)

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review revealed minor discrepancies with respect to signature certification, proper itemization or supporting documentation. Due to the immaterial nature of these discrepancies, no audit recommendation is warranted.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

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 payroll taxes were deposited in the Payroll Agency Account.

All payrolls tested were certified by the President of the Board, Board Secretary/School Business Administrator and Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholdings.

Reserve for Encumbrances and 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 reserve 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.

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:23-8.3.

Finding 2015-1 (CAFR Finding 2015-001 and 2015-002)

Finding – Our audit indicated that the salary of the district's athletic director was charged to School Sponsored Co-Curricular Activities budgetary line item, rather than to School Administration. In addition, certain expenditures for travel were coded to object code '585' rather than to the required '580' object code.

Recommendation – The District reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, to ensure the proper classification of expenditures required to be in compliance with New Jersey Administrative Code.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in satisfactory condition.

The prescribed contractual order system was followed.

Acknowledgment of the Board's receipt of the Board Secretary's monthly financial reports was included in the minutes.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

Finding 2015-2

Finding – Our audit indicated that audit adjustments were necessary to accurately report revenues earned and year end receivables due to the District.

Recommendation – Revenues and receivables be monitored to ensure amounts represent balances earned and due to the District.

Treasurer's Records

The Treasurer did perform monthly cash reconciliations for all required accounts.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act (NCLB) of 2001

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

Our examination indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the Single Audit Section of 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 contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. Immaterial exceptions were noted.

Finding 2015-3

Finding – Our audit indicated that the District did not remit the required payment and reimbursement form to the State of New Jersey for amounts due and payable for TPAF/FICA related to salaries funded from federal grant programs.

Recommendation – Reimbursements of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants be remitted by the statutory deadline.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

During fiscal year 2014-15, the Department of Education, State of New Jersey completed a review of funds received and disbursed by the Town of Boonton School District for the 2013-14 ESEA and IDEA federal grant programs, and has issued its Consolidated Monitoring Report. The report noted findings, including but not limited to, the following:

- The District's Title I program was not supplemental to its state/locally funded program.
- The District's use of Title I funds to pay for the salaries and benefits of one ELA support teacher and one mathematics' support teacher supplanted state/local funds.
- The District did not have supporting documents as required by law to verify that the Dean of Programs and Students is performing allowable Title I grant administrative functions.
- The District did not include counts of resident students attending both nonpublic schools inside and outside the District's attendance area.
- Contracts for IDEA Services did not contain a not to exceed amount.
- The District did not appoint all individuals charged to the federal programs by Board resolution.
- Numerous expenditures were reclassified in the general ledger from local fund accounts to federal grants without supporting documentation.

The District has completed and filed the required corrective action plan with respect to the Consolidated Monitoring Report, therefore no additional recommendation is warranted for this audit report.

School Purchasing Programs

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) \$36,000 (with a Qualified Purchasing Agent) on \$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 \$17,500.

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 Board 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.

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; however, our testing revealed that the District utilized State contracts during 2013/14.

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Food Service / Bridges to Learning Program

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

Applications for free and reduced priced meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal policy is uniformly administered throughout the school system. The required verification procedures for free and reduced priced meal applications were completed and available for review.

Expenditures were separately recorded as food, labor 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 food service. Net cash resources of the food service program did not exceed three months average expenditures.

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

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited.

The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$10,000. The operating results provision has been met.

Student Body Activity

The Board has a policy, which clearly established the regulation of student activity funds.

Finding 2015-4

Finding – Our audit of the various student activity accounts indicated the following:

- Collections were not always deposited in a timely manner.
- Pre-numbered receipts are not being utilized to support funds collected.
- Documentation was not always available to support disbursements.

Recommendation – Internal controls over student activity accounts be reviewed and enhanced.

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 and bilingual students. 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 with exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

**TOWN OF BOONTON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 exception. The results of our procedures are presented in the schedule of audited enrollments.

Our procedures included a review of transportation related contracts and purchases.

Facilities and Capital Assets

Our procedures included a review of the District's capital assets and referendum project for consistency in the awarding of contracts for eligible facilities construction.

**TOWN OF BOONTON SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Program</u>	<u>Meals Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
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NOT APPLICABLE

**TOWN OF BOONTON SCHOOL DISTRICT
FOOD SERVICE FUND
NET CASH RESOURCE SCHEDULE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

**BOONTON BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014**

	2015-16 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 Register 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 - 3 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 3 years	8	-	8	-	-	-	8	-	8	-	-	-	-	-	-	-
Half Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 4 years	15	-	15	-	-	-	15	-	15	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	71	-	71	-	-	-	71	-	71	-	-	-	-	-	-	-
1st Grade	82	-	82	-	-	-	82	-	82	-	-	-	-	-	-	-
2nd Grade	75	-	75	-	-	-	75	-	75	-	-	-	-	-	-	-
3rd Grade	61	-	61	-	-	-	61	-	61	-	-	-	-	-	-	-
4th Grade	61	-	61	-	-	-	61	-	61	-	-	-	-	-	-	-
5th Grade	71	-	71	-	-	-	71	-	71	-	-	-	-	-	-	-
6th Grade	64	-	64	-	-	-	64	-	64	-	-	-	-	-	-	-
7th Grade	53	-	53	-	-	-	53	-	53	-	-	-	-	-	-	-
8th Grade	66	-	66	-	-	-	66	-	66	-	-	-	-	-	-	-
9th Grade	108	-	108	-	-	-	108	-	108	-	-	-	-	-	-	-
10th Grade	123	-	123	-	-	-	123	-	123	-	-	-	-	-	-	-
11th Grade	117	1	117	1	-	-	117	1	117	1	-	-	-	-	-	-
12th Grade	111	7	111	4	-	3	111	7	111	4	-	3	-	-	-	-
Subtotal	1,086	8	1,086	5	-	3	1,086	8	1,086	5	-	3	-	-	-	-
Spec Ed - Elementary	63	-	66	-	(3)	-	17	-	18	-	(1)	-	2	3	3	-
Spec Ed - Middle School	45	-	43	-	2	-	44	-	43	-	1	-	2	2	2	-
Spec Ed - High School	109	7	102	7	7	-	109	7	102	7	7	-	7	10	10	-
Subtotal	217	7	211	7	6	-	170	7	163	7	7	-	11	15	15	-
Totals	1,303	15	1,297	12	6	3	1,256	15	1,249	12	7	3	11	15	15	-
Percentage Error					<u>0.46%</u>	<u>20.00%</u>					<u>0.56%</u>	<u>20.00%</u>				<u>0.00%</u>

**BOONTON BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014**

	Low Income			Sample for Verification			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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	19	20	(1)	3	2	1	8	8	-	6	6	-
1st Grade	29	30	(1)	5	5	-	9	9	-	7	5	2
2nd Grade	23	27	(4)	4	4	-	5	5	-	4	4	-
3rd Grade	24	23	1	4	4	-	3	3	-	2	1	1
4th Grade	21	23	(2)	4	4	-	2	2	-	1	-	1
5th Grade	23	22	1	4	4	-	3	3	-	2	1	1
6th Grade	18	24	(6)	4	4	-	1	1	-	1	1	-
7th Grade	19	20	(1)	3	2	1	-	-	-	-	-	-
8th Grade	19	23	(4)	4	3	1	2	2	-	1	-	1
9th Grade	11	11	-	2	2	-	1	1	-	1	-	1
10th Grade	11	11	-	2	-	2	1	1	-	1	1	-
11th Grade	22	22	-	4	2	2	1	2	(1)	1	-	1
12th Grade	25	24	1	4	4	-	-	-	-	-	-	-
Subtotal	264	280	(16)	47	40	7	36	37	(1)	27	19	8
Spec Ed - Elementary	32	33	(1)	5	5	-	2	2	-	2	1	1
Spec Ed - Middle School	32	27	5	4	4	-	1	1	-	1	-	1
Spec Ed - High School	26	29	(3)	5	4	1	-	-	-	-	-	-
Subtotal	90	89	1	14	13	1	3	3	-	3	1	2
Totals	354	369	(15)	61	53	8	39	40	(1)	30	20	10
Percentage Error			<u>-4.24%</u>			<u>13.11%</u>			<u>-2.56%</u>			<u>33.33%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	10	10	-	9	9	-
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	12	12	-	10	10	-
Special Needs - Public	17	17	-	15	15	-
Totals	39	39	-	34	34	-
			<u>0.00%</u>			<u>0.00%</u>

**BOONTON BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014**

	LEP Not 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 Register	Sample Errors
Half Day Preschool (3 Yrs)	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	2	2	-	1	1	-
1st Grade	1	1	-	1	1	-
2nd Grade	1	1	-	1	1	-
3rd Grade	3	3	-	2	2	-
4th Grade	-	-	-	-	-	-
5th Grade	1	1	-	1	1	-
6th Grade	1	1	-	1	1	-
7th Grade	-	-	-	-	-	-
8th Grade	1	1	-	1	1	-
9th Grade	-	-	-	-	-	-
10th Grade	3	4	(1)	3	3	-
11th Grade	2	-	2	-	-	-
12th Grade	-	-	-	-	-	-
Subtotal	15	14	1	11	11	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	15	14	1	11	11	-
Percentage Error			<u>6.67%</u>			<u>0.00%</u>

**TOWN OF BOONTON SCHOOL DISTRICT
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

2014-15 Total General Fund Expenditures per the CAFR (Exhibit C-1)	\$ 27,473,819
Decreased by:	
Assets Acquired Under Capital Leases	174,388
On-Behalf TPAF Pension & Social Security	<u>2,204,985</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 25,094,446</u>
2% of Adjustment 2014-15 General Fund Expenditures	\$ 501,889
Increased by: Allowable Adjustment - Unbudgeted Extraordinary Aid	<u>151,473</u>
Maximum Unassigned Fund Balance	<u>\$ 653,362</u>
Total General Fund - Fund Balance at June 30, 2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,080,915
Decreased by:	
Year End Encumbrances	157,260
Excess Surplus, Designated for Subsequent Year's Expenditures	177,699
Other Restricted Fund Balance - Capital Reserve	<u>195,572</u>
Total Unassigned Fund Balance	<u>\$ 550,384</u>
Restricted Fund Balance - Excess Surplus	<u>\$ -</u>
<u>Recapitulation of Excess Surplus at June 30, 2015</u>	
Excess Surplus, Designated for Subsequent Year's Expenditures	<u>\$ 177,699</u>
Total Excess Surplus	<u>\$ 177,699</u>

**TOWN OF BOONTON SCHOOL DISTRICT
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. The District reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, to ensure the proper classification of expenditures required to be in compliance with New Jersey Administrative Code.
2. Revenues and receivables be monitored to ensure amounts represent balances earned and due to the District.
3. Reimbursements of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants be remitted by the statutory deadline.

III. School Purchasing Program

There are none.

IV. School Food Services/Bridges to Learning Program

There are none.

V. Student Body Activity

It is recommended that internal controls over student activity accounts be reviewed and enhanced.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

**TOWN OF BOONTON SCHOOL DISTRICT
RECOMMENDATIONS**


IX. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations. Corrective action was taken on all.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and would like to thank the Business Office, Superintendent's Office and their staff for the courtesies extended to us.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Dieter P. Lerch
Certified Public Accountant
Public School Accountant