

**Borough of Edgewater School District
County of Bergen**

**Auditors' Management Report On
Administrative Findings – Financial,
Compliance and Performance**

Year Ended June 30, 2015

**Borough of Edgewater School District
County of Bergen**

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McENERNEY, BRADY & COMPANY
Certified Public Accountants
A division of O'Connor Davies, LLP

Independent Auditors' Report

**Honorable President and Members
of the Board of Education
Borough of Edgewater School District
County of Bergen, 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 financial statements of the Board of Education of the Borough of Edgewater School District in the County of Bergen for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 18, 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 letter does not affect our report dated December 18, 2015 on the financial statements of the Board.

We will review the status of the comments, if any, during our next audit engagement. We have already discussed any 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 Borough of Edgewater 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.

McEnerney, Brady & Company

Livingston, New Jersey
December 18, 2015

John Lauria

John Lauria, RMA, PSA
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Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

Scope of Audit

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Sheri Biondi	Treasurer	\$200,000
Gary Gremboweic	Board Secretary/School Business Administrator	200,000

The District has a crime insurance package with the New Jersey School Boards Insurance Group which includes Public Employees' Dishonesty with Faithful Performance and Theft, Disappearance and Destruction coverage of \$100,000 for those employees not separately bonded.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The District will make any necessary adjustments to billings to sending districts for the change in the per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3 if the actual costs are different than the estimated costs.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation except as noted below:

Finding 2015-1:

Purchase orders were created after the invoice date.

Findings 2015-2:

A number of vouchers paid did not have the proper supporting documentation attached.

Findings 2015-3:

Sales tax was paid on numerous occasions.

Finding 2015-4:

Employees are buying goods and being reimbursed instead of using the purchasing order system.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

It is recommended that:

Purchase orders be properly prepared prior to ordering of goods or services.

Proper supporting documentation be attached before payment is made to any vendor.

Reimbursements to employees be discontinued and purchases be made only through the purchase order system.

Sales tax should not be paid to any vendor or reimbursed to any employee.

Payroll Account

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.

All payrolls were not approved by the Superintendent and were not certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies during the current fiscal year except for the following:

Finding 2015-5:

There was no detail listing of the payroll agency's withholdings prepared. This led to overpayments in some cases and underpayment in others.

Finding 2015-6:

Transfers to the payroll account were not in agreement with the actual payrolls for most payrolls. This has led to a large interfund with the general fund

Finding 2015-7:

The required E-Certificate of Compliance with requirements for income tax on compensation of administrators was not filed.

It is recommended that:

Remittance to the proper payroll agencies be made in a timely manner so as to prevent paying late fees.

Detail listings of payroll deductions and disbursements be prepared on a monthly basis.

Transfers to cover payroll agree with the actual payroll and payroll deduction report.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30th for proper classification of orders as reserve for encumbrances and accounts payable.

Finding 2015-8:

District personnel did not perform an analysis of outstanding purchase orders at June 30th and prepare the separate listings of purchase orders comprising the balance sheet account balance for accounts payable and reserve for encumbrances. Numerous audit adjustments were made and we are not sure if all encumbrances and accounts payable are accounted for.

It is recommended that:

Purchase orders be reviewed for proper classification at June 30th as accounts payable or reserve for encumbrances based upon whether the goods have been received on the services rendered.

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. In addition, to randomly selecting a test sample, we reviewed administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, the following item was noted:

Finding 2015-9:

Salaries of employees were misclassified for general classification. Also, other expenses were misclassified and in some cases not recorded to any line account. Adjustments were made to record the expenditures to their proper classification.

Finding 2015-10:

District personnel in charge of ensuring compliance with proper classification were no longer working at the District at the time of audit. Therefore the School District questionnaire was not filled out.

It is recommended that:

The School District should reference the Uniform Minimum Chart of Account for New Jersey Public Schools and other reference materials to be in compliance with N.J.A.C. 6A:23A-16.2(f) and the School District questionnaire be completed prior to the start of the audit.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following:

Finding 2015-11:

A number of budget line accounts were overexpended.

Finding 2015-12:

Transfers from fund balance were not approved by the Bergen County Board Office as required under NJAC6A:23A-13.3(b).

Finding 2015-13:

Not all health insurance expenditures were posted to the budget.

Finding 2015-14:

Club salaries were not properly coded.

Finding 2015-15:

Budget transfers in excess of ten percent were not approved by the County Office.

Finding 2015-16:

Capital assets were not updated.

Finding 2015-17:

Political Disclosure Forms were not maintained.

Finding 2015-18:

Internal Revenue Service Form 1099 Misc. were not issued for those vendors who received in excess of \$600.00.

Finding 2015-19:

Expenses were not allocated to the Pre-K. We have received an allocation from the current acting Board Secretary and have posted the charges. We have not verified the allocations.

It is recommended that:

Bids be summarized in the minutes of the Board Secretary.

Approved budgetary line accounts should not be overexpended. The Board Secretary should not approve the issuance of purchase orders that would cause an overexpenditure. Budget transfers should be made prior to issuing purchase orders.

Transfer from fund balance be made only after receiving approval from the County's Board Office.

All expenditures relating to payments for health insurance along with employee reimbursement be posted to appropriate budget account.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

Board Secretary's Records (continued)

It is recommended that: (continued)

Club salaries be recorded on the Board's books.

Budget transfers in excess of ten percent on state approved line item appropriations be submitted to and approved by the County Board Office.

Capital Assets be updated to reflect current year activity.

Political Disclosure Forms be maintained.

IRS Form 1099 Misc. be issued for all vendors receiving in excess of \$600.00.

Greater care be exercised when preparing vouchers for payment making sure invoices are attached.

The Board Secretary and district employees properly record all transactions in the correct fund and to the correct account.

Records be maintained to document expenses related to Pre-K and that the charges be recorded against the proper fund.

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. There were no exceptions noted.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act 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 the projects under Titles I of the Elementary and Secondary Education Act as amended and reauthorized.

Finding 2015-20:

Revenue received did not agree with the expenditures reported for the Federal and State Grants Programs. We were unable to reconcile the grants and identify amounts that should have been refunded to the state.

Finding 2015-21:

Grant Revenue and expenditures were misposted, therefore, we were unable to verify the appropriations of the disbursement or accuracy of the receipt

Finding 2015-22:

Grant budgets recorded by the District were not in agreement with the actual grant awards.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

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

It is recommended that:

Drawdowns of grant funds be in agreement with actual expenditures made.

Grant revenue and expenditures be properly posted to appropriate revenue and budget accounts.

Grant budgets be in agreement with the actual grant award.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule K-3 and Schedule K-4 located in the CAFR.

Based on our audit of the federal and state funds, on a test basis, we could not determine if 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.

TPAF Reimbursement

Our audit procedures included a test of the bimonthly reimbursements filed with the Department of Education for District employees who are members of the Teachers' Pension and Annuity Fund. Reimbursement requests were not made in a timely manner.

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 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 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 NJ.SA. 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"

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

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 (as amended) and 18A:39-3 are \$36,000 and \$26,000 without a Qualified Purchasing Agent respectively. The law requiring bidding for Student Transportation contracts under N.J.S.A. 18A:39-3 is currently \$17,500.

In accordance with N.J.S.A. 18A:18A-3, the Board passed a resolution designating the School Business Administrator as the purchasing agent and increasing the threshold to \$36,000.00. The quote threshold is fifteen percent (15%) of the bid threshold or \$5,400.00.

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. The following comments are noted:

Purchasing

Finding 2015-23:

Quotes were not obtained for items purchased over the threshold.

Finding 2015-24:

A bid for construction services went out in the July 2014 meeting. However, due to a change in Business Administrators the contract was never awarded in the minutes and there was no evidence that it was awarded to the lowest bidder.

It is recommended that:

Bids and quotes be obtained when those purchases exceed the statutory thresholds.

The results of our examination could not determine if 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 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.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

Purchasing (continued)

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.

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 basis.

Cash receipts and bank records were reviewed for timely deposit. The District utilized a food service management company and deposited and expended program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1.

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.

Provisions of the F.S.M.C. contract were reviewed and audited. The F.S.M.C. contract includes an operating results provision that the food service program will return a profit of at least \$5,000. The operating results provision has been met.

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 exceeded three months average expenditures by \$51,198.

Time sheets and payroll records provided to the District by the Food Service contractor were reviewed on a test basis. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

Food Distribution Program 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 "Proprietary Funds", Section G of the CAFR.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

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. Based on these procedures, we have no comments.

Finding 2015-25:

Money was spent out of the student activity account for general fund operations.

Finding 2015-26:

Supporting documentation was not available for all purchases.

It is recommended that:

Student Activity Accounts should only be spent to benefit the students. Borrowing money is not allowed from the Student Activity Account.

Supporting documentation should be maintained to support all purchases.

Application for State School Aid

Our audit procedures included a test of enrollments and related services 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 without exception. The information that was included on the workpapers was verified without 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's written procedures appear to be adequate 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 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. Minor exceptions were noted in our review of transportation related purchases of goods and services.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

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 require the District to establish a maximum travel amount for the year and to account for these expenses within a separate account in the budget to ensure that the maximum is not exceeded. The regulations also require that all travel be preapproved by the Board of Education and Superintendent and that the approval must be itemized by event, event total cost, and individuals attending.

Our review of the travel policies and records revealed that the District is in general compliance with the travel regulations.

Status of Prior Year Finding/Recommendations

A number of prior year audit findings and recommendations were not implemented during and are noted with an asterisk in the recommendations section.

Borough Of Edgewater School District

Schedule of Meal Count Activity Food Service Fund
Number of Meals Served and (Over)/Underclaim
Enterprise Fund

Year Ended June 30, 2015
(Memorandum Only)

NOT APPLICABLE

EDGEWATER SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	2014-2015 Application for State School Aid			Sample for Verification			Private Schools for Disabled		
	Reported on A.S.S.A. On Roll	Workpapers On Roll	Errors	Sample Selected from Workpapers	Registers Verified per On Roll	Registers per On Roll	Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Errors
	Full	Shared	Full	Full	Shared	Full	Full	Shared	Full
Half Day Preschool	69			27					
Full Day Preschool	134			32					
One	154			27					
Two	133			22					
Three	105			18					
Four	90			19					
Five	91			14					
Six	70			15					
Seven	74			10					
Eight	51			11					
Nine	54			9					
Ten	45			10					
Eleven	50			13					
Twelve	65								
Post-Graduate									
Adult H.S. (15+CR.)									
Adult H.S. (1-14 CR.)									
Subtotal	1,185	0	0	229	0	229	0	0	0
Special Ed - Elementary	67			14		14			
Special Ed - Middle School	27			6		6			
Special Ed - High School	28			5		5			
Subtotal	122	0	0	25	0	25	0	0	0
Co. Voc. - Regular									
Co. Voc. Ft. Post Sec.									
Totals	1,307	0	0	254	0	254	0	0	0
Percentage Error			0.00%					0.00%	0.00%

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

	Reported on A.S.S.A. as Low Income		Reported on A.S.S.A. as LEP low Income		Sample for Verification		Resident LEP Low Income		Sample for Verification		Sample for Verification	
	Low Income	Errors	Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool	0		0		0	0		3	3	1	1	1
Full Day Preschool	17		17		10	10		2	2	1	1	1
Full Day Kindergarten	17		17		10	10		2	2	0	0	0
One	17		17		10	10		1	1	0	0	0
Two	21		21		12	12						
Three	21		21		9	9						
Four	16		16		10	10						
Five	17		17		9	9						
Six	16		16		0	0						
Seven	13		13		0	0						
Eight	16		16		0	0						
Nine	12		12		0	0						
Ten	11		11		0	0						
Eleven	12		12		0	0						
Twelve	15		15		0	0						
Post-Graduate												
Adult H.S. (15+CR)												
Adult H.S. (1-14 CR)												
Subtotal	200		200		69	69		8	8	2	2	0
Special Ed - Elementary	21		21		10	10						
Special Ed - Middle	4		4		1	1						
Special Ed - High	14		14		0	0						
Subtotal	39		39		11	11		0	0	0	0	0
Co. Voc - Regular												
Co. Voc-Ft. Post Sec.												
Totals	239		239		80	80		8	8	2	2	0
Percentage Error												0.00%

	Reported on DRTS by DOE/county		Reported on DRTS by District		Transportation		Reported on DRTS by District		Reported on DRTS by District		Recalculated	
	DOE/county	Errors	District	Errors	Tested	Verified	District	Errors	District	Errors	Reported	Recalculated
Reg. - Public Schools, col. 1	940		940		212	212					4.98	4.98
Reg.-SpEd, col. 4	7		7		2	2					5.02	5.02
Transported - Non-Public, col. 3	10		10		2	2					5.80	5.80
Special Ed Spec, col. 6	73		73		16	16						
Totals	1,030		1,030		232	232						
Percentage Error												0.00%

Reg Avg. (Mileage) = Regular Including Grade PK students (Part A)
 Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part B)
 Spec Avg. = Special Ed with Special Needs

EDGEWATER SCHOOL DISTRICT

**APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	Resident LEP NOT Low Income		Sample for Verification	
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register
Half Day Preschool	26	26	15	15
Full Day Preschool	16	16	9	9
Full Day Kindergarten	15	15	8	8
One	7	7	4	4
Two	8	8	5	5
Three	3	3	2	2
Four	1	1	1	1
Five	0	0	0	0
Six	1	1	1	1
Seven	0	0	0	0
Eight	1	1	1	1
Nine	3	3	2	2
Ten	0	0	0	0
Eleven	1	1	1	1
Twelve	2	2	1	1
Post-Graduate				
Adult H.S. (15+CR.)				
Adult H.S. (1-14 CR.)				
Subtotal	83	83	47	47
Special Ed - Elementary	0	0	0	0
Special Ed - High				
Subtotal				
Co. Voc. - Regular				
Co. Voc. Ft. Post Sec.				
Totals	83	83	47	47
Percentage Error		0.00%		0.00%

EXCESS SURPLUS CALCULATION

2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR	\$ 19,220,021	
Decreased by:		
On-Behalf of TPAF Pension and Social Security Assets Acquired Under Capital Leases	846,678	
	<hr/>	
Adjusted 2014-15 General Fund Expenditures	\$ 18,373,342	
2% of Adjusted 2014-15 General Fund Expenditures	\$ 367,467	
Increased by: Allowable Adjustment	19,488	
	<hr/>	
Maximum Unreserved/Undesignated Fund Balance		\$ 386,955
Total General Fund - Fund Balance at June 30, 2015	\$ 2,188,332	
Decreased by:		
Year End Encumbrances		
Excess Surplus - Designated for Subsequent Year's Expenditures	444,256	
Other Reserved Fund Balances Assigned - Designated for Subsequent's Year's Expenditures	1,352,175	
	<hr/>	
Total Unassigned Fund Balance		<hr/> 391,901
Restricted Fund Balance - Excess Surplus		<hr/> <hr/> \$ 4,946

Recapitulation of Excess Surplus as of June 30, 2015

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 444,256	
Reserved Excess Surplus	4,946	
	<hr/>	
Total		<hr/> <hr/> \$ 449,202

Detail of Allowable Adjustments

Extraordinary Aid		
Additional Nonpublic School Transportation Aid		19,488
		<hr/>
Total Adjustments		<hr/> <hr/> \$ 19,488

Detail of Other Reserved Fund Balance

Capital Reserve		\$ 1,252,175
Maintenance Reserve		100,000
		<hr/>
		<hr/> <hr/> \$ 1,352,175

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

It is recommended that:

- * Purchase orders be prepared prior to ordering of goods or services.
- * Proper supporting documentation be attached before payment is made to any vendor.
- * Reimbursements to employees be discontinued and purchases be made only through the purchase order system.
- * Sales tax should not be paid to any vendor or reimbursed to any employee.
- * Detail listings of payroll deductions and disbursements be prepared on a monthly basis.

Transfers to cover payroll agree with the actual payroll and payroll deduction report.

- * Purchase orders be reviewed for proper classification at June 30th as accounts payable or reserve for encumbrances based upon whether the goods have been received on the services rendered.
- * The School District should reference the Uniform Minimum Chart of Account for New Jersey Public Schools and other reference materials to be in compliance with N.J.A.C. 6A:23A-16.2(f) and the School District questionnaire be completed prior to the start of the audit.
- * Approved budgetary line accounts should not be overexpended. The Board Secretary should not approve the issuance of purchase orders that would cause an overexpenditure. Budget transfers should be made prior to issuing purchase orders.

Transfer from fund balance be made only after receiving approval from the County's Board Office.

All expenditures relating to payments for health insurance along with employee reimbursement be posted to appropriate budget account.

- * Club salaries be recorded on the Board's books.

Budget transfers in excess of ten percent on state approved line item appropriations be submitted to and approved by the County Board Office.

- * Capital Assets be updated to reflect current year activity.
- * Political Disclosure Forms be maintained.
- * IRS Form 1099 Misc. be issued for all vendors receiving in excess of \$600.00.
- * The Board Secretary and district employees properly record all transactions to the correct fund and to the correct account.

Borough of Edgewater School District

Administrative Findings – Financial, Compliance and Performance

Year Ended June 30, 2015

It is recommended that: (continued)

- * Records be maintained to document expenses related to Pre-K and that the charges be recorded against the proper fund.
- * Drawdowns of grant funds be in agreement with actual expenditures made.
- * Grant revenue and expenditures be properly posted to appropriate revenue and budget accounts.
- * Grant budgets be in agreement with the actual grant award.
- * Bids and quotes be obtained when those purchases exceed the statutory thresholds.
- * Student Activity Accounts should only be spent to benefit the students. Borrowing money is not allowed from the Student Activity Account.
- * Supporting documentation should be maintained to support all purchases in the Student Activity Fund.
- * Repeated from prior year.

Acknowledgment

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

McEnerney, Brady + Company

Livingston, New Jersey
December 18, 2015

John Lauria

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Licensed Public School Accountant #208700