

ESSEX FELLS SCHOOL DISTRICT

COUNTY OF ESSEX

NEW JERSEY

AUDITOR'S MANAGEMENT REPORT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

**SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

**ESSEX FELLS SCHOOL DISTRICT
COUNTY OF ESSEX
NEW JERSEY**

**AUDITOR’S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Essex Fells School District
County of Essex, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Essex Fells School District in the County of Essex for the year ended June 30, 2016, and have issued our report thereon dated October 14, 2016.

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 Essex Fells 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.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
October 14, 2016

ESSEX FELLS SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, 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, Insurance Schedule contained in the District's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Steven J. Lella	Board Secretary/School Business Administrator	\$ 25,000.00
Marie Criscuolo	Treasurer of School Moneys	152,000.00

There is an Employee Dishonesty Bond with the New Jersey School Board Association Insurance Group covering all other employees in the amount of \$50,000.00.

Financial Planning, Accounting and Reporting

Examination of Claims

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

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Payroll Account and Position Control Roster

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

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

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

The propriety of deductions from individual salaries for Pensions, Social Security, Withholding Tax and other purposes was not verified as part of this examination.

Reserve for Encumbrances and Accounts Payable

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

All encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of accounts and minutes maintained by the Board Secretary were in satisfactory condition. The prescribed contractual order system was followed.

District funds were provided and expended in the proper GAAP account codes based upon audit testing of transactions.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

Treasurer's Records

The Treasurer's records were found to be maintained properly.

Acknowledgment of the Board's receipt of the Treasurer's Report was included in the minutes.

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

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questioned costs.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the Auditors' Management Report. Expenditures of federal and state awards did not meet the \$750,000.00 expenditure threshold requiring a single audit.

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

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

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

TPAF 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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 is \$29,000.00 without a Qualified Purchasing Agent. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is \$18,800.00 for 2015-16.

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.

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 results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

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

School Food Service

Not Applicable

Student Body Activities

Cash receipts and disbursement records were examined only insofar as the local records permitted. Our review of the student activity fund did not determine any exceptions.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information on the ASSA was compared to the District workpapers with discrepancies. The information that was included on the workpapers was verified with discrepancies. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

Finding #2016-1:

One student was not reported on the Application for State School Aid for on-roll as special education but the net effect on the total on-roll students was zero.

Recommendation:

That greater care be exercised by personnel in the preparation of the Application for State School Aid.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2015-2016 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.

Follow-Up on Prior Years' Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings with the exception of the following which is repeated in this year's recommendations noted as current year finding "2016-1":

That greater care be exercised by personnel in the preparation of the Application for State School Aid.

RECOMMENDATIONS

That greater care be exercised by personnel in the preparation of the Application for State School Aid.

Acknowledgment

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

Joseph J. Fagcone
JOSEPH J. FAGCONE
Licensed Public School Accountant #194

Samuel Klein and Company
SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
October 14, 2016

SCHEDULE OF AUDITED ENROLLMENTS

ESSEX FELLOWS SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 Application for State School Aid				Sample for Verification				Private Schools for Handicapped					
	Reported on A.S.S.A		Reported on Workpapers		Sample Selected from Workpapers		Verified per Registers		Reported on A.S.S.A as Private Schools		Sample for Verification		Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 Years Old	6	-	6	-	4	-	4	-	-	-	-	-	-	-
Half Day Preschool 4 Years Old	18	-	18	-	11	-	11	-	-	-	-	-	-	-
Full Day Kindergarten	33	-	33	-	19	-	19	-	-	-	-	-	-	-
One	28	-	28	-	16	-	16	-	-	-	-	-	-	-
Two	27	-	27	-	16	-	16	-	-	-	-	-	-	-
Three	16	-	16	-	10	-	10	-	-	-	-	-	-	-
Four	19	-	19	-	11	-	11	-	-	-	-	-	-	-
Five	20	-	20	-	11	-	11	-	-	-	-	-	-	-
Six	20	-	19	-	11	-	11	-	-	-	-	-	-	-
Sub-Total	187	-	186	-	109	-	109	-	-	-	-	-	-	-
Special Ed - Elementary	19	-	19	-	10	-	10	-	2	2	2	2	2	2
Special Ed - Middle	3	-	4	-	1	-	1	-	2	2	2	2	2	2
Sub-Total	22	-	23	-	11	-	11	-	4	4	4	4	4	4
Totals	209	-	209	-	120	-	120	-	4	4	4	4	4	4
Percentage Error														

SCHEDULE OF AUDITED ENROLLMENTS

ESSEX FELL'S SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	Low Income		Sample for Verification				Resident LEP Low Income		Sample for Verification	
	Free Reported on A.S.S.A as Low Income	Reduced Reported on A.S.S.A as Low Income	Free Sample Selected from Workpapers	Reduced Sample Selected from Workpapers	Free Verified to Application and Register	Reduced Verified to Application and Register	Reported on LEP Low Income	Reported on LEP Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day Preschool 3 Years Old										
Half Day Preschool 4 Years Old										
One										
Two										
Three										
Four										
Five										
Six										
Sub-Total										
Special Ed - Elementary										
Special Ed - Middle										
Sub-Total										
Totals										
Percentage Error										

	Transportation	
	Reported on DRTRS by DOE	Reported on DRTRS by District
Reg. - Public Schools, col. 1	2.0	2.0
Reg. - Special Education, col. 4	2.0	2.0
Nonpublic Schools (A/L), col. 3	4.0	4.0
Spec. - Special Needs, col. 6		
Totals	4.0	4.0
Percentage Error		

Regular Average Mileage = Regular Including Grade PK Students
Regular Average Mileage = Regular Excluding Grade PK Students
Special Average = Special Ed with Special Needs

9.3

9.3

9.3

SCHEDULE OF AUDITED ENROLLMENTS

ESSEX FELS SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	Resident LEP NOT Low Income		Sample for Verification			
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool 3 Years Old	-	-	-	-	-	-
Half Day Preschool 4 Years Old	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-
One	-	-	-	-	-	-
Two	-	-	-	-	-	-
Three	-	-	-	-	-	-
Four	-	-	-	-	-	-
Five	-	-	-	-	-	-
Six	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error	-	-	-	-	-	-

SCHEDULE A

ESSEX FELLS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Award Amount	Grant Period	Balance at June 30, 2015	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	(Accounts Receivable)	June 30, 2016 Deferred Inflows	Due to Grantor
U.S. Department of Education: Passed-Through State Department of Education: Special Revenue Fund: Title I, Part A	84.010A	S010A150030	NCLB-1400-16	\$ 17,808.00	7/01/15 - 6/30/16	\$ -	\$ -	\$ -	\$ (17,808.00)	\$ -	\$ -	\$ (17,808.00)	\$ -	\$ -
Title II, Part A	84.367A	S367A150029	NCLB-1400-16	2,737.00	7/01/15 - 6/30/16	-	-	-	(2,737.00)	-	-	(2,737.00)	-	-
I.D.E.A. Part B, Basic Regular	84.027	H027A150100	IDEA-1400-16	46,231.00	7/01/15 - 6/30/16	(44,232.00)	-	44,232.00	(46,231.00)	-	-	(46,231.00)	-	-
I.D.E.A. Part B, Carryover	84.027	H027A150100	IDEA-1400-15	44,232.00	7/01/14 - 6/30/15	-	-	-	(3,694.00)	-	-	(3,694.00)	-	-
I.D.E.A. Part B, Preschool	84.173	H173A150114	IDEA-1400-16	3,694.00	7/01/15 - 6/30/16	(3,642.00)	-	3,642.00	(70,470.00)	-	-	(70,470.00)	-	-
I.D.E.A. Part B, Carryover	84.173	H173A150114	IDEA-1400-15	3,642.00	7/01/14 - 6/30/15	(47,874.00)	-	47,874.00	(70,470.00)	-	-	(70,470.00)	-	-
Total Special Revenue Fund														
Total Federal Financial Awards						\$ (47,874.00)	\$ -	\$ 47,874.00	\$ (70,470.00)	\$ -	\$ -	\$ (70,470.00)	\$ -	\$ -

SCHEDULE B

**ESSEX FIELDS SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	June 30, 2015		Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures through Funds Pass	Budgetary Expenditures Direct	Adjustments/ Reversals of Prior Years' Balances	June 30, 2016		MEMO		
				Deferred Inflows (Accounts Receivable)	Due to Grantor						Inter governmental (Accounts Receivable)	Deferred Inflows/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:															
General Fund:															
Special Education Categorical Aid	16-495-034-5120-089	\$ 89,553.00	7/01/15-6/30/16	\$	\$ 79,782.00	\$	\$ (89,553.00)	\$	\$	\$	\$	\$	\$	\$ 89,553.00	
Extraordinary Aid	16-495-034-5120-044	85,892.00	7/01/15-6/30/16	(63,542.00)	63,542.00	(85,892.00)	(85,892.00)			(85,892.00)				85,892.00	
Extraordinary Aid	15-495-034-5120-044	63,542.00	7/01/14-6/30/15		63,542.00										
Security Aid	16-495-034-5120-084	2,687.00	7/01/15-6/30/16		2,687.00		(2,687.00)							2,687.00	
Transportation Aid	16-495-034-5120-014	601.00	7/01/15-6/30/16		601.00		(601.00)							601.00	
Additional Adjustment Aid	16-495-034-5120-085	1,915.00	7/01/15-6/30/16		1,915.00		(1,915.00)							1,915.00	
PARCC Readiness Aid	16-495-034-5120-086	1,760.00	7/01/15-6/30/16		1,760.00		(1,760.00)							1,760.00	
Per Pupil Growth Aid	16-495-034-5120-087	1,760.00	7/01/15-6/30/16		1,760.00		(1,760.00)							1,760.00	
On-Behalf TPAF Post-Retirement Medical	16-495-034-5095-001	190,774.00	7/01/15-6/30/16		190,774.00		(190,774.00)							190,774.00	
On-Behalf TPAF Pension Contributions	16-495-034-5095-006	160,216.00	7/01/15-6/30/16		148,125.65		(160,216.00)			(5,917.87)				160,216.00	
Reimbursed TPAF Social Security	16-495-034-5095-003	154,043.52	7/01/15-6/30/16	(7,606.63)	7,606.63		(154,043.52)							154,043.52	
Reimbursed TPAF Social Security	15-495-034-5095-003	152,383.89	7/01/14-6/30/15	(71,148.63)	658,769.28		(689,201.52)			(91,809.87)				689,201.52	
Total General Fund					\$ 658,769.28		\$ (689,201.52)			\$ -		\$ -	\$ 9,771.00	\$ 9,771.00	\$ 689,201.52
Total State Financial Assistance					\$ -		\$ (190,774.00)			\$ -		\$ -	\$ -	\$ -	\$ 689,201.52
Less: On-Behalf TPAF Post-Retirement Medical							(190,774.00)								
On-Behalf TPAF Pension System Contributions							(160,216.00)								
Total for State Financial Assistance - Major Program Determination							\$ (338,216.00)								

ESSEX FELLS SCHOOL DISTRICT
COUNTY OF ESSEX
FISCAL YEAR ENDED JUNE 30, 2016

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$5,046,938.93	
Decreased by:		
On-Behalf TPAF Pension and Social Security	505,033.52	
Adjusted 2015-16 General Fund Expenditures	<u>\$4,541,905.41</u>	
2% of Adjusted 2015-16 General Fund Expenditures (Times .02)	<u>\$ 90,838.11</u>	
Enter Greater of Above or \$250,000	\$ 250,000.00	
Increased by: Allowable Adjustment	<u>85,892.00</u>	
Maximum Unassigned/Undesignated-Unreserved Fund Balance		<u>\$ 335,892.00</u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 974,238.10	
Decreased by:		
Year-end Encumbrances	38,750.00	
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	<u>200,607.47</u>	
Other Restricted Fund Balances	<u>198,988.63</u>	
Total Unassigned Fund Balance		<u>\$ 535,892.00</u>

SECTION 3

Restricted Fund Balance - Excess Surplus		<u>\$ 200,000.00</u>
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ESSEX FELS SCHOOL DISTRICT
COUNTY OF ESSEX
FISCAL YEAR ENDED JUNE 30, 2016

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 200,607.47
Reserved Excess Surplus	<u>200,000.00</u>
Total Excess Surplus	<u><u>\$ 400,607.47</u></u>

Detail of Allowable Adjustments

Extraordinary Aid	<u>\$ 85,892.00</u>
Total Allowable Adjustments	<u><u>\$ 85,892.00</u></u>

Detail of Other Restricted Fund Balance

Capital Reserve	<u>\$ 198,988.63</u>
Total Other Restricted Fund Balance	<u><u>\$ 198,988.63</u></u>

