

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

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

The Honorable President and Members
of the Board of Education
Montclair Township School District
County of Essex, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Montclair Township School District in the County of Essex for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 30, 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 November 30, 2015, on the financial statements of the Board.

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 Montclair Township 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

Raymond G. Sarinelli
Licensed Public School Accountant #864
Certified Public Accountant

MONTCLAIR TOWNSHIP 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 Moneys, 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.

| <u>Name</u> | <u>Position</u> | <u>Coverage</u> |
|-------------------|----------------------------|-----------------|
| Michael Zazzarino | Treasurer of School Monies | \$ 450,000 |
| Brian Fleischer | Chief Operating Officer | 100,000 |

There is a Public Employees' Dishonesty Blanket Bond with the General Security Property and Casualty Company covering all other employees with multiple coverage of \$1,000,000. Although not required it is suggested that the Surety Bond Coverage of the Business Administrator be increased to the same level as the Treasurer of School Monies.

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 did not indicate any discrepancies 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 health benefits withholdings due to the general fund.

All payrolls tested were approved by the Superintendent and certified by the President of the Board and the School Business Administrator.

The required certification (E-Cert1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the New Jersey Department of Treasury was filed by the March 15th due date.

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

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.

Classification of Expenditures – General Classifications and Administrative Classifications

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, we reviewed administrative coding classifications to determine overall reliability and compliance with N.J.A.C 6A:23A-8.2. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

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.

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, Title II and Title III 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 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.

The financial exhibits are contained within the Special Revenue Section of the CAFR.

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Other Special Federal and/or State Projects (Cont'd)

This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Finding:

During our testing of the IDEA Grants it was noted that timesheets are not being prepared and maintained for employees to support all the salaries being charged to the IDEA Grants.

Recommendation:

It is recommended that all staff charged to the IDEA Grants be supported by a timesheet.

Management's Response

The Administration has already initiated a process for disseminating and collection Personnel Activity Reports for staff charged to the IDEA grants to comport with time and effort reporting requirements.

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.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

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.

School Purchasing Programs

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

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

School Purchasing Programs (Cont'd)

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. 18 A: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.

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. General compliance was noted.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory 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.

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.

MONTCLAIR TOWNSHIP 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 were reviewed on a test basis. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. Food Service accounting records maintained by the District's central administration office were reconciled with the records maintained by the food service contractor.

Cash receipts and bank records were reviewed for timely deposit.

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 guarantees the loss will not exceed \$115,000. The operating results provision has been met.

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.

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

The number of meals claimed for reimbursement was verified against sales. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement vouchers 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 did not exceed the number of valid applications on file, multiplied by 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 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.

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

Exhibits reflecting Child Nutrition Program operations are included in the section entitled "Enterprise Funds", Section G, of the CAFR.

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

School Food Service (Cont'd)

Finding:

During our review of the Food Service Fund financials our audit revealed a large student accounts receivable at year end. This was due to student lunch accounts being charged on account and not being collected. Due to the Districts uncertainty as to the collectability of the receivable an allowance for doubtful accounts for \$75,000 was established in the Food Service Fund.

Recommendation:

It is recommended that the District evaluate and collect or cancel the students food service accounts receivable at year end.

Management Response:

The District has initiated a procedure during 2015/2016 school year to mitigate the students food service accounts receivable from increasing in future years. Administration will also review all open balances for collection or cancelation in the 2015/2016 school year.

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 except as noted below.

Finding:

Our audit included a review of the records maintained for the student activity funds at the various schools. Our review revealed that several schools receipts/disbursements are not supported by proper documentation and approval, therefore we were not able to accurately determine if deposits were being properly deposited with in a reasonable time.

Recommendation:

It is recommended that the District evaluate and continue to communicate policies for the student activity funds to standardize the process at each school to ensure that the above items are resolved.

Management Response:

The Administration has already provided face-to-face training for all principals and all secretaries on the District's policies and best practices with respect to student activity funds. The Administration will continue to work with the custodians of the school accounts to reinforce these policies and best practices.

MONTCLAIR TOWNSHIP 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 students, private schools for the handicapped students, low income students 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. The information that was included on the workpapers was verified on a test basis with exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Finding:

Our audit included a review of the 2014-2015 Application for State School Aid. This review revealed minor reporting errors; therefore no formal recommendation is judged to be warranted.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. 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.

Findings:

1. Our review of the Capital Projects Fund and the School Development Authority ("SDA") grants awarded revealed that the accounting records were not maintained in accordance with the *Uniform Minimum Chart to Accounts for New Jersey Public Schools, 2008 Edition* and that School Development Authority ("SDA") grants awarded to the District were not maintained within the accounting records of the District. SDA grants should be detailed in the accounting records to ensure the accuracy of the grant expenditures and provide support for the SDA submissions.
2. During our testing of capital assets, it was noted that the assets are being disposed of and/or moved throughout the District without proper notification to the Board Office.

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Facilities and Capital Assets (Cont'd)

Recommendations:

1. It is recommended that the accounting records be maintained in accordance with the *Uniform Minimum Chart to Accounts for New Jersey Public Schools, 2008 Edition* and that all SDA grants be included in the accounting records of the District to ensure support is available for the submission to the SDA.
2. It is recommended that the District evaluate and communicate policies for the capital assets at each school to ensure that the capital assets accounting and reporting system is accurate.

Managements Response

The district is in the process of breaking out the hard and soft costs associated with the newest capital projects in a manner that will comply with the *Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 Edition* within the district's accounting records during the 2015-2016 fiscal year. The district has also procured the services of an accounting consultant to assist with the review of the district's older SDA grants for collectability and the processing of the SDA ROD grant applications to expedite the payment of grant fund to the district. The district will also review procuring a full asset appraisal within the district during the 2016-2017 budget cycle and will provide training and reinforce the procedures for disposal and/or relocation of capital assets with district staff.

Management Suggestions:

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.

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

Management Suggestions:

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.

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.

Internal Controls

It has come to our attention that a number of school districts in New Jersey are being cited by the State Department of Education for the purchasing of goods or services prior to the issuance of an approved purchase order. This issue appears to be primarily related to maintenance and buildings and grounds expenditures. We are taking this opportunity to reiterate to our clients that a valid, approved purchase order must be prepared prior to obligating the District to a purchase of goods or services to be in compliance with requirements of the State. This includes blanket purchase orders, as it is required to have all signatures on each transaction before purchasing the goods or services.

Status of Prior Year's Findings/Recommendations

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. The prior year recommendations regarding current accounting records for Capital Projects, student activity deposit backup and disbursement approval, IDEA timesheets and also the capital assets notification were not corrected in the current year and are included in the current year's audit. However, the submission of the treasurers report to the county superintendent, the travel reports with proper subsequent travel reports, student activity bank reconciliations, the food service operating statements were verified for supporting documentation prior to release of payment, has been resolved in the current year.

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

| | <u>Private Schools for Disabled</u> | | | | <u>Resident Low Income</u> | | | | | |
|-----------------------|--|--|----------------------------|--------------------------|---|---|---------------|--|---|--------------------------|
| | <u>Reported on ASSA as Private Schools</u> | <u>Sample for Verification</u> | <u>Sample Verified</u> | <u>Sample Errors</u> | <u>Reported on ASSA as Low Income</u> | <u>Reported on Workpapers as Low Income</u> | <u>Errors</u> | <u>Sample Selected from Workpapers</u> | <u>Verified to Application and Register</u> | <u>Sample Errors</u> |
| Half Day Preschool | | | | | | 9 | (9) | | | |
| Full Day Kindergarten | | | | | 80 | 73 | 7 | 2 | 2 | |
| Grade One | | | | | 81 | 66 | 15 | 2 | 2 | |
| Grade Two | | | | | 90 | 72 | 18 | 2 | 2 | |
| Grade Three | | | | | 96 | 73 | 23 | 2 | 1 | 1 |
| Grade Four | | | | | 113 | 75 | 38 | 2 | 2 | |
| Grade Five | | | | | 92 | 51 | 41 | 2 | 2 | |
| Grade Six | | | | | 103 | 66 | 37 | 2 | 2 | |
| Grade Seven | | | | | 106 | 72 | 34 | 2 | 2 | |
| Grade Eight | | | | | 114 | 73 | 41 | 2 | 2 | |
| Grade Nine | | | | | 97 | 64 | 33 | 2 | 2 | |
| Grade Ten | | | | | 95 | 62 | 33 | 2 | | 2 |
| Grade Eleven | | | | | 77 | 47 | 30 | 1 | 1 | |
| Grade Twelve | | | | | 96 | 73 | 23 | 2 | 1 | 1 |
| Subtotal | | | | | 1,240 | 876 | 364 | 25 | 21 | 4 |
| Special Education: | | | | | | | | | | |
| Elementary School | 10 | 1 | 1 | | 133 | 144 | (11) | 10 | 7 | 3 |
| Middle School | 12 | 1 | 1 | | 112 | 115 | (3) | 7 | 7 | |
| High School | 43 | 5 | 5 | | 125 | 126 | (1) | 8 | 6 | 2 |
| Subtotal | 65 | 7 | 7 | | 370 | 385 | (15) | 25 | 20 | 5 |
| Totals | <u>65</u> | <u>7</u> | <u>7</u> | <u>-0-</u> | <u>1,610</u> | <u>1,261</u> | <u>349</u> | <u>50</u> | <u>41</u> | <u>9</u> |
| Percentage Error | | | | <u>0.00%</u> | | | <u>21.68%</u> | | | <u>0.00%</u> |

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

| | Resident LEP Low Income | | | | | |
|-----------------------|---|---|--------------|--|--|------------------|
| | Reported on ASSA as LEP Low Income | Reported on Workpapers as LEP Low Income | Errors | Sample Selected from Workpapers | Verified to Test Scores, Application and Register | Sample Errors |
| Full Day Kindergarten | 3 | 5 | (2) | 1 | 1 | |
| Grade One | | | | | | |
| Grade Two | 5 | 5 | | 2 | 2 | |
| Grade Three | | | | | | |
| Grade Four | | 1 | (1) | | | |
| Grade Five | 1 | 1 | | | | |
| Grade Six | 2 | 2 | | 1 | 1 | |
| Grade Seven | 1 | 1 | | | | |
| Grade Eight | 5 | 5 | | 2 | 2 | |
| Grade Nine | 2 | 2 | | 1 | | 1 |
| Grade Ten | | | | | | |
| Grade Eleven | | | | | | |
| Grade Twelve | 1 | 1 | | | | |
| Subtotal | <u>20</u> | <u>23</u> | <u>(3)</u> | <u>7</u> | <u>6</u> | <u>1</u> |
| Special Education: | | | | | | |
| Elementary School | | | | | | |
| Middle School | | | | | | |
| High School | | | | | | |
| Subtotal | | | | | | |
| Totals | <u>20</u> | <u>23</u> | <u>(3)</u> | <u>7</u> | <u>6</u> | <u>1</u> |
| Percentage Error | | | <u>0.00%</u> | | | <u>0.00%</u> |

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

| | Resident LEP Not Low Income | | | | | |
|-----------------------|---|---|----------------------|--|--|---------------------|
| | Reported on ASSA 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 |
| Full Day Kindergarten | 1 | 1 | | 1 | 1 | |
| Grade One | 5 | 5 | | 2 | 2 | |
| Grade Two | 2 | | 2 | | | |
| Grade Three | 4 | 4 | | 1 | 1 | |
| Grade Four | | | | | | |
| Grade Five | | | | | | |
| Grade Six | 1 | 1 | | | | |
| Grade Seven | 2 | 2 | | 1 | 1 | |
| Grade Eight | 1 | 1 | | | | |
| Grade Nine | 1 | 1 | | 1 | 1 | |
| Grade Ten | 1 | 1 | | | | |
| Grade Eleven | | | | | | |
| Grade Twelve | | | | | | |
| Subtotal | <u>18</u> | <u>16</u> | <u>2</u> | <u>6</u> | <u>6</u> | |
| Special Education: | | | | | | |
| Elementary School | | | | | | |
| Middle School | | | | | | |
| High School | | | | | | |
| Subtotal | | | | | | |
| Totals | <u><u>18</u></u> | <u><u>16</u></u> | <u><u>2</u></u> | <u><u>6</u></u> | <u><u>6</u></u> | <u><u>-0-</u></u> |
| Percentage Error | | | <u><u>12.50%</u></u> | | | <u><u>0.00%</u></u> |

MONTCLAIR TOWNSHIP 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 | 1,304 | 1,302 | 2 | 10 | 10 | |
| Regular - Special Education | 108 | 108 | | 5 | 5 | |
| Transported - Non Public | 2 | | 2 | | | |
| AIL - Non Public | 305 | 310 | (5) | 5 | 5 | |
| Special Needs - Public | 82 | 82 | | 2 | 2 | |
| Special Needs - Private | 65 | 65 | | 3 | 3 | |
| Totals | <u>1,866</u> | <u>1,867</u> | <u>(1)</u> | <u>25</u> | <u>25</u> | <u>-0-</u> |
| Percentage Error | | | <u>0.00%</u> | | | |

| | Reported | Recalculated |
|--|----------|--------------|
| Average Mileage - Regular Including Grade PK Students | 3.5 | 3.5 |
| Average Mileage - Regular Excluding Grade PK Students | 3.5 | 3.5 |
| Average Mileage - Special Education with Special Needs | 8.5 | 8.5 |

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2015

Section 1 - REGULAR DISTRICT

| | |
|---|----------------------------|
| 2014-15 Total General Fund Expenditures per the CAFR | \$ 124,134,205 (B) |
| Increased by: | |
| Transfer from Capital Outlay to Capital Projects Fund | \$ -0- (B1a) |
| Transfer from Capital Reserve to Capital Projects Fund | \$ 2,384,792 (B1b) |
| Decreased by: | |
| On-Behalf TPAF Pension and Social Security | \$ 11,191,997 (B2a) |
| Assets Acquired Under Capital Leases | \$ 301,432 (B2b) |
| Adjusted 13-14 General Fund Expenditures [(B)+(B1's)-(B2's)] | <u>\$ 115,025,568 (B3)</u> |
| 2% of Adjusted 2014-15 General Fund Expenditures [(B5) times .02] | \$ 2,300,510 (B4) |
| Enter Greater of (B4) or \$250,000 | \$ 2,300,510 (B5) |
| Increased by: Allowable Adjustment | <u>\$ 122,920 (K)</u> |
| Maximum Unassigned Fund Balance [(B5)+(K)] | <u>\$ 2,423,430 (M)</u> |

Section 2

| | |
|--|--------------------------|
| Total General Fund - Fund Balances @ 6/30/15 (Per CAFR Budgetary Comparison Schedule C-1) | \$ 5,169,379 (C) |
| Decreased by: | |
| Assigned Year End Encumbrances | \$ 424,878 (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | \$ -0- (C2) |
| Excess Surplus - Designated for Subsequent Year's Expenditures | (C3) |
| Other Restricted Fund Balances | \$ 479,800 (C4) |
| Assigned Designated for Subsequent Year's Expenditures | \$ 300,000 (C5) |
| Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] | <u>\$ 3,964,701 (U1)</u> |

Section 3

| | |
|---|-------------------------|
| Reserved Fund Balance-Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0- | <u>\$ 1,271,271 (E)</u> |
| <u>Recapitulation of Excess Surplus as of June 30, 2015</u> | |
| Restricted Excess Surplus - Designated for Subsequent Year's Expenditures | \$ -0- (C3) |
| Restricted Excess Surplus [(E)] | <u>\$ 1,271,271 (E)</u> |
| Total [(C3)+(E)+(F)] | <u>\$ 1,271,271 (D)</u> |

MONTCLAIR TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Detail of Allowable Adjustments

| | |
|--|-----------------------|
| Impact Aid | \$ -0- (H) |
| Sale and Lease Back | \$ -0- (I) |
| Extraordinary Aid | \$ 69,850 (J1) |
| Additional Nonpublic School Transportation Aid | \$ 53,070 (J2) |
| Total Adjustments [(H)+(I)+(J1)+(J2)] | <u>\$ 122,920 (K)</u> |

Detail of Other Restricted Fund Balance

| | |
|--|-------------------|
| Statutory Restrictions: | |
| Approved Unspent Separate Proposal | \$ -0- |
| Capital Outlay for a District with a Capital Outlay SGLA | \$ -0- |
| Sale/Lease-Back Reserve | \$ -0- |
| Capital Reserve | \$ 499,800 |
| Maintenance Reserve | \$ 250,000 |
| Emergency Reserve | \$ -0- |
| Tuition Reserve | \$ -0- |
| Other State/Governmental Mandated Reserve | \$ -0- |
| Other Restricted Fund Balance not Noted Above | \$ -0- |
| Total Other Reserved Fund Balance | <u>\$ 749,800</u> |

MONTCLAIR TOWNSHIP 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
 - a) All staff charged to the IDEA Grants be supported by a timesheet.
3. School Purchasing Program
None
4. School Food Service
 - a) The District evaluate and collect or cancel the students food service accounts receivable at year end.
5. Student Body Activities
 - a) The District evaluate and communicate policies for the student activity funds to standardize the process at each school.
6. Pupil Transportation
None
7. Facilities and Capital Assets
 - a) The accounting records be maintained in accordance with the *Uniform Minimum Chart to Accounts for New Jersey Public Schools, 2008 Edition* and that all SDA grants be included in the accounting records of the District to ensure support is available for the submission to the SDA.
 - b) The District evaluate and communicate policies for the capital assets at each school to ensure that the fixed assets accounting and reporting system is accurate.
8. Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding student activity deposit backup and disbursement approval, IDEA timesheets and also the capital assets notification were not corrected in the current year and are included in the current year's audit. However, the submission of the treasurers report to the county superintendent, the travel reports with proper subsequent travel reports, student activity bank reconciliations, the food service operating statements were verified for supporting documentation prior to release of payment, has be resolved in the current year.