

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE**

of the

**Borough of Ho-Ho-Kus
School District Board of Education
Ho-Ho-Kus, New Jersey**

For the Fiscal Year Ended June 30, 2016

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Tax ID Number 22-6001996

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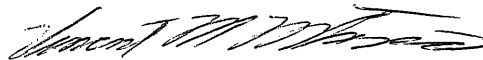
Report of Independent Auditors

Honorable President and
Members of the Board of Education
Borough of Ho-Ho-Kus 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 basic financial statements of the Board of Education of the Borough of Ho-Ho-Kus School District in the County of Bergen for the year ended June 30, 2016, and have issued our report thereon dated November 15, 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 Borough of Ho-Ho-Kus School 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.



Vincent M. Montanino
Public School Accountant
License No. CS000495



Michael S. Zambito
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Dated: November 15, 2016

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Administrative Findings – Financial, Compliance and Performance

Scope of Audit

The audit covered the financial transactions of the Board Secretary 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

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>
Michael Donow	Interim Business Administrator/Board Secretary (To 12/31/15)	\$ 2,000.00
Dr. Joseph Amatuzzi	Interim Business Administrator/Board Secretary (From 1/5/16)	225,000.00

There is a Public Employee's Faithful Performance Blanket Position Bond with Selective Insurance Company of America covering all other employees with multiple coverage of \$100,000.00

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges for the school year 2012-2013 was made. The actual costs were less and/or more than estimated costs. The Board made a proper adjustment in the school year 2015-2016 to the billings to sending districts for the decrease/increase in per pupil costs in accordance with N.J.A.C. 6A:23-3.1 (f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

Claims paid during the period under review were examined on a test basis to determine that they are submitted on Board vouchers, itemized, signed by the officials as to approval for payment, endorsement for receipt of materials, allocated to the proper accounts, charged to the proper fiscal period and in agreement with bill list set forth in the approved minutes of the Board.

The review and inquiry indicate good scrutiny on the part of the Board and Board Officials regarding expenditures.

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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 the Board's required payroll contributions 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.

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

Payrolls were delivered to the Treasurer of School Moneys with a warrant made to his order for the full amount of each payroll.

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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2 (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:23-8.2. As a result of the procedures performed no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

No errors noted.

B. Administrative Classification Findings

No errors noted.

Board Secretary's Records

The prescribed contractual order system was followed.

Monthly certifications of line-item appropriations and fund status were filed in accordance with N.J.A.C. 6A:23-2.12 and Division of Finance Policy Bulletin 200-11.

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

The school district's double entry system of accounting records were maintained in accordance with the Department of Education's prescribed GAAP Technical Systems Manual, pursuant to N.J.S.A. 18A:4-14 and N.J.A.C. 6A:23-2.1.

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

All budget appropriation transfers and appropriation of Fund balance/Additional Revenues were in accordance with N.J.A.C. 6A:23.

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 Title I and Title II of the Elementary and Secondary Education Act as amended and reauthorized.

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.

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the amount claimed for reimbursement 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

Effective April 17, 2000, N.J.S.A. 18A:18A (Public School Contracts Law) was revised by P.L. 1999, c. 440 (originally known as Assembly bill No. 35190). The associated rules were drafted by the Division of Local Government Services in the Department of Community Affairs, with consultation from the Commissioner of Education.

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) and 18A:39-3 (Transportation) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent) and \$18,800.00 respectively.

In accordance with N.J.S.A. 18A:18A-3.a., the Board of Education has increased the bid threshold from \$36,000.00 to \$40,000.00.

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School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

It is pointed out that the Board of Education has the responsibility of determining whether the commitments and expenditures are in compliance with the statutes and, where question arises as to whether any contract or agreement might result in violation of these statutes the Board attorney's opinion should be sought before commitment is made.

Inasmuch as the system of records is not required to provide and therefore did not provide for an accumulation of payments by categories for the performance of any work or the furnishings 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. None were disclosed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the provision or performance of any goods or services," in excess of the statutory limit 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.

The system of records is not required to provide and therefore 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 maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test check basis.

The number of milks claimed for reimbursement were verified against sales and milk count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were properly computed and filed timely.

Expenditures were separately recorded as milk. Vendor invoices were reviewed and costs verified. There are no inventory requirements as the District only maintains a milk fund.

The cash disbursements records reflected expenditures for program for 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 slightly exceed three months average expenditures, however the District has been addressing this and charging some payroll expenses to the fund.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Proprietary Funds (Exhibits B-4, B-5, B-6).

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Student Activity Funds

Cash receipts and disbursement records were maintained in satisfactory condition.

All receipts were promptly deposited in the bank.

Payment authorizations were presented for audit and vendor invoices were available for examination. The Board adopted a formal board policy that all financial and bookkeeping controls are adequate to ensure appropriate fiscal accountability and sound business practices.

Interest earnings were allocated proportionately to each student activity.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and bilingual education. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Student (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Not Applicable

Status of Prior Years' Audit Findings/Recommendations

Not Applicable

Acknowledgment

We wish to express our appreciation for the assistance and courtesies extended to us by Board officials and employees during the course of our audit.

SCHEDULE OF MEAL COUNT ACTIVITY

BOARD OF EDUCATION
BOROUGH OF HO-HO-KUS

FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Program</u>	<u>Meal</u> <u>Category</u>	<u>Meals</u> <u>Claimed</u>	<u>Meals</u> <u>Verified</u>	<u>Difference</u>
Special Milk	Paid	<u>25,909</u>	<u>25,909</u>	<u>-0-</u>

SCHEDULE OF AUDITED ENROLLMENTS													BOARD OF EDUCATION																								
BOROUGH OF HO-HO-KUS SCHOOL DISTRICT													APPLICATION FOR STATE SCHOOL AID SUMMARY ENROLLMENT AS OF OCTOBER 15, 2015																								
2016-2017 Application for State School Aid													Private Schools for Disabled																								
	Reported on			Workpapers			Errors			Sample			Verified per			Registers			On Roll			Private			Sample			Errors									
	Full	Shared	On Roll	Full	Shared	On Roll	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared							
Half Day Preschool	2		2			-						2																									
Full Day Preschool	7		7			-						7																									
Half Day Kindergarten						-																															
Full Day Kindergarten	46		46			-						46																									
One	54		54			-						54																									
Two	73		73			-						73																									
Three	66		66			-						66																									
Four	59		59			-						59																									
Five	59		59			-						59																									
Six	73		73			-						73																									
Seven	63		63			-						63																									
Eight	61		61			-						61																									
Nine						-																															
Ten						-																															
Eleven						-																															
Twelve						-																															
Post-Graduate						-																															
Adult H.S. (15+CR.)						-																															
Adult H.S. (1-14CR.)						-																															
Subtotal	563		563			0.00%						563																									
Sp Ed - Elementary	29		29			-						29																									
Sp Ed - Middle School	25		25			-						25																									
Sp Ed - High School						-																															
Subtotal	54		54			-						54																									
Co. Voc. - Regular						-																															
Co. Voc. Ft. Post Sec.						-																															
Totals	617		617			0.00%						617																									
Percentage Error						0.00%																															0.00%

SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)		BOARD OF EDUCATION BOROUGH OF HO-HO-KUS SCHOOL DISTRICT											
		APPLICATION FOR STATE SCHOOL AID SUMMARY ENROLLMENT AS OF OCTOBER 15, 2015											
	Reported on A.S.A. as Low Income	Resident Low Income Reported on Workpapers as Low Income	Sample Selected from Workpapers	Sample for Verification Verified to Application and Register	Sample Errors	Reported on A.S.A. as LEP Low Income	Resident LEP Low Income Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Sample for Verification Verified to Test Score and Register	Sample Errors	Sample Selected from Workpapers	Sample for Verification Verified to Test Score and Register	Sample Errors
Half Day Preschool													
Full Day Preschool													
Half Day Kindergarten													
Full Day Kindergarten													
One													
Two													
Three													
Four													
Five													
Six													
Seven	1	1	1	1	-	1	1	1	1	-	1	1	-
Eight													
Nine													
Ten													
Eleven													
Twelve													
Post-Graduate													
Adult H.S. (15+CR.)													
Adult H.S. (1-14CR.)													
Subtotal	1	1	1	1	-	1	1	1	1	-	1	1	-
Sp Ed - Elementary													
Sp Ed - Middle School													
Sp Ed - High School													
Subtotal													
Co. Voc. - Regular													
Co. Voc. Ft. Post Sec.													
Totals	1	1	1	1	-	1	1	1	1	-	1	1	-
Percentage Error					0.00%								0.00%

SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)		BOARD OF EDUCATION		BOROUGH OF HO-HO-KUS SCHOOL DISTRICT		APPLICATION FOR STATE SCHOOL AID SUMMARY ENROLLMENT AS OF OCTOBER 15, 2015			
		Resident LEP		Sample for Verification		Sample Errors			
		Reported on A.S.A. as NOT Low Income	NOT Low Income	Reported on Workpapers as NOT Low Income	Workpapers			Selected from Workpapers	Application and Register
Half Day Preschool									
Full Day Preschool									
Half Day Kindergarten									
Full Day Kindergarten		1		1		1			
One									
Two		1		1		1			
Three									
Four		1		1		1			
Five									
Six									
Seven									
Eight									
Nine									
Ten									
Eleven									
Twelve									
Post-Graduate									
Adult H.S. (15+CR.)									
Adult H.S. (1-14CR.)									
Subtotal		<u>3</u>		<u>3</u>		<u>3</u>			
Sp Ed - Elementary									
Sp Ed - Middle School									
Sp Ed - High School									
Subtotal		<u>-</u>		<u>-</u>		<u>-</u>			
Co. Voc. - Regular									
Co. Voc. Ft. Post Sec.									
Totals		<u>3</u>		<u>3</u>		<u>3</u>			
Percentage Error							<u>0.00%</u>		

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	\$ 14,601,548.11 (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 1,138,814.42 (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 13,462,733.69 (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ 269,254.67 (B4)
Enter Greater of (B4) or \$250,000	\$ 269,254.67 (B5)
Increased by: Allowable Adjustment *	\$ 138,074.00 (K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ 407,328.67 (M)

SECTION 2

Total General Fund – Fund Balances @ 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,749,407.70 (C)
Decreased by:	
Year End Encumbrances	\$ 6,872.00 (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ _____ (C2)
Legally Restricted Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ 208,866.20 (C3)
Other Restricted Fund Balances****	\$ 856,940.89 (C4)
Assigned Fund Balance-Unreserved – Designated for Subsequent Year’s Expenditures	\$ 96,210.80 (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 580,517.81 (U1)

SECTION 3

Restricted Fund Balance – Excess Surplus ***[(U1-(M)] IF NEGATIVE ENTER -0-\$ 173,189.14 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures **	\$ 208,866.20 (C3)
Reserved Excess Surplus ***[(E)]	\$ 173,189.14 (E)
Total [(C3) + (E)]	\$ 382,055.34 (D)

Footnotes

* *Allowable adjustment to expenditures online must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

(H) Federal Impact Aid. The passage of P.L. 2015, c46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);

(J1) Extraordinary Aid;

(J2) Additional Nonpublic School Transportation Aid;

(J3) Recognized current year School Bus Advertising Revenue; and

(J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ <u>134,072.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>4,002.00</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ <u>138,074.00</u> (K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amount must agree to the June 30, 2016 CAFR and must agree to Audit Summary Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:	\$ _____
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ <u>368,652.89</u>
Maintenance reserve	\$ <u>409,430.00</u>
Emergency reserve	\$ <u>78,858.00</u>
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve-current year	\$ _____
School Bus Advertising 50% Fuel Offset Reserve-prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
Total Other Restricted Fund Balance	\$ <u>856,940.89</u> (C4)