

**HOPATCONG BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**HOPATCONG BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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AUDITOR'S MANAGEMENT REPORT

Honorable President and
Members of the Board of Trustees
Hopatcong Board of Education
Hopatcong, 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 Hopatcong Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 22, 2016.

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

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary J. Vinci
Certified Public Accountant
Public School Accountant

Fair Lawn, New Jersey
November 22, 2016

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Scope of Audit

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

Fire insurance coverage was carried in the amounts as detailed on the Schedule of Insurance contained in the Statistical Section of the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Jim Minkewicz	Business Administrator/ Board Secretary (7/1/15-3/25/16)	300,000
Carolyn Joseph	Interim Business Administrator/ Board Secretary (4/1/16-6/30/16)	300,000
Damaris Gurowsky	Treasurer of School Monies	300,000

There is a Blanket Dishonesty Bond with the School Package Policy – School Alliance Insurance Fund covering all other employees with multiple coverage of \$500,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

Financial Planning, Accounting and Reporting

Examination of Claims

Finding – Our audit revealed that in certain instances the receiving copy of the purchase order certifying the proper receipt of goods/services was not available for audit.

Recommendation – All purchase orders contain a receipt of goods/services certification prior to payment.

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 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.

Finding (CAFR Finding 2016-004) – With respect to travel and expense reimbursements, our audit noted there were several instances where a purpose or relevance form was not completed. In addition, the Board did not establish a travel maximum for the year.

Recommendation – Internal controls over travel and expense reimbursements be reviewed and enhanced to ensure a travel maximum is properly approved by Board resolution and post travel reports are obtained and attached to a reimbursement request.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

Payroll/Personnel

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 tested were approved by the Superintendent and were certified by the Business Administrator/Board Secretary, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered to determine that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Finding (CAFR Finding 2016-001) – Our audit noted the following:

- Open encumbrances totaling \$206,558 representing orders where the goods/services were received prior to June 30, 2016 and should have been classified as accounts payable.
- There was an amount classified as an accounts payable at year end in the amount of \$17,483 that should have been classified as a reserve for encumbrance.
- There were unrecorded purchase orders at June 30, 2016 in the amount of \$51,599 that should have been recorded as accounts payable.

Recommendation - It is recommended that year end closing procedures be reviewed and enhanced to ensure open purchase orders are complete and properly classified as accounts payable or encumbrances.

Board Secretary's Records

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

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Acknowledgement of the Board's receipt of the Board Secretary and Treasurer's monthly financial reports was included in the minutes. The monthly certification of the availability of line item appropriations and fund balances were also approved.

Finding – Various budget appropriation line items were overexpended as a result of audit adjustments recorded for the reclassification of retroactive salary payments. The overexpenditures were a result of an audit adjustment, therefore no recommendation is warranted.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

Finding (CAFR Finding 2016-005) - The monthly and year to date 10% transfer reports were not submitted to the Executive County Superintendent for approval. We note certain budget transfers that required Executive County Superintendent approval.

Recommendation - The monthly and year to date 10% transfer reports be prepared and remitted to the Executive County Superintendent, and specific approval be sought for transfers exceeding the maximum allowable amount.

Treasurer's Records

The Treasurer did perform cash reconciliations for all accounts required.

All cash receipts were promptly deposited.

Finding (CAFR Finding 2016-002) – Our audit of the District's year end bank reconciliation balances revealed the District's Sussex Regional Cooperative Transportation Services cash balance was in an overdraft position of \$844,688 at June 30, 2016.

Recommendation – Internal controls be enhanced to ensure cash balances are monitored to prevent cash overdrafts from occurring.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

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, II and III of the Elementary and Secondary Education Act, as amended.

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

Other Special Federal and/or State Projects

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

Our audit 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.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

T.P.A.F Reimbursement

The amount of expenditures charged to the current year's Final Reports for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$29,000 (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 \$18,800. The Board has designated the School Business Administrator as the qualified purchasing agent.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that purchases were made through the use of State contracts.

Finding (CAFR Finding 2016-003) – Our audit noted the following with regards to compliance with the Public School Contracts Law.

- There were three instances where the District was unable to provide proof that quotes were obtained.
- There were several instances where a Business Registration Form or Political Contribution Disclosure Form was not on file at the time a contract was awarded. All but three Political Contribution Disclosure Forms were subsequently received.
- There were three instances where the advertisement for a professional service contract awarded was not done.
- There were two instances where aggregate purchases for a vendor exceeded \$36,000 for which bids were not obtained.
- There was one instance where bid documents were not available for audit.
- Cooperative agreement purchases that exceed the bid threshold are not approved by Board resolution.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Recommendation –

- Bids and/or quotations be obtained whenever a purchase exceeds the limit set forth by the Public School Contracts Law.
- Business Registration and Political Contribution Disclosure Forms be on file when required.
- All contracts/purchases in excess of the bid threshold made under cooperative purchasing agreements be approved by Board resolution.
- All bid documents be available for audit.
- All professional service contracts be advertised when awarded.

Finding – Our audit revealed that documentation supporting the use of cooperative purchasing agencies and state contract vendors were not maintained on file.

Recommendation – State contract and cooperative agreements vendor files be maintained, supporting and documenting information related to the applicable cooperative purchases and state contracts utilized by the District.

Finding – Our audit indicated that the District did not provide notification to the Office of the State Comptroller of contracts awarded for Sussex Regional Cooperative Transportation Services for an amount exceeding \$2 million in accordance N.J.S.A. 52:15C-10.

Recommendation – Notification be provided to the Office of the State Comptroller of all contracts awarded by the District for Sussex Regional Cooperative Transportation Services which exceed \$2 million in accordance with N.J.S.A. 52:15C-10.

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal or state program. However, the program expenses exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The financial transactions and statistical records of the school food services were maintained in good condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposits.

The district utilized 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 included an operating results provision which guarantees that the food service program will return a profit of at least \$25,000.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

School Food Service (Continued)

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records, as detailed on the Schedule of Meal Activity.

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, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenses were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all school food services employees authorized by the board of education.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expense records were maintained in order to substantiate the non-profit status of the school food service.

Exhibits reflecting Child Nutrition Program operations are included in the section of the CAFR entitled Enterprise Funds as Exhibits B-4, B-5 and B-6.

Day Plus Program

The financial records of the Day Plus Program were maintained in good condition.

Student Body Activity

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

Finding – Our audit of the Student Activity Funds revealed the following:

- Durban Ave School
 - o Prenumbered receipts are not utilized.
 - o Certain checks contain only one signature.

- High School
 - o The year-end bank account reconciliation contained erroneous reconciling items.
 - o Pre-numbered receipts were not utilized.
 - o Separate sub accounts for individual activities are not maintained.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Student Body Activity (Continued)

- Athletic Account
 - o Prenumbered receipts are not utilized.
 - o Several outstanding checks are greater than one year old and should be reviewed and cleared of record.
 - o Several disbursements did not have proper supporting documentation.
 - o It appears that certain purchases made from the athletic account should be accounted for in the Board's purchasing/budget process such as sports/fitness equipment, purchased services and fitness maintenance agreements. There is insufficient evidence to support the District's claim these are paid for by fundraising activities.
 - o There are several expenses for fundraising (golf outing, sweatshirt sales, cheesecake sales) that have no supporting evidence that the revenue generated from such fundraising matches the cost of the event.
 - o The balance of the manual ledger by activity does not agree to the bank reconciliation.
 - o Certain expenditures do not appear to be student athletic or activity related.

Recommendation:

- o Proper supporting documentation for all student activity receipts and disbursements should be maintained and available for audit.
- o Prenumbered receipts should be utilized for all accounts and include the proper composition of the deposit (checks vs. cash)
- o Expenses should only be for student activity or athletic related expenses.
- o All checks issued should contain at least two authorization signatures.
- o Outstanding checks should be reviewed and cleared of record.
- o Bank reconciliations contain only valid reconciling items.

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 disabled, bilingual and low-income. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to District workpapers with minor exceptions. The information on the workpapers was verified with minor exceptions. 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 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. The information was verified to the District records with immaterial exceptions.

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.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Facilities and Capital Assets

Finding – Our audit of the capital assets revealed the following:

- Current year additions for parking lot improvements and acquisition of a transportation cooperative services vehicle were not added to the capital asset inventory report.
- Prior year adjustments were not added to the capital asset inventory report.

Recommendation – All current year additions and prior year adjustments be properly reflected in the District's capital asset inventory.

Suggestions to Management

The Board should consider adopting a written policy regarding the use of store procurement cards.

The District prepare a memo formally documenting controls regarding legal costs as they relate to the state-wide average per pupil.

**HOPATCONG BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

**HOPATCONG BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

	2016-17 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 years	1	-	1	-	-	-	1	-	1	-	-	-				
Full Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Preschool - 4 years	5	-	5	-	-	-	5	-	5	-	-	-				
Full Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-				
Full Day Kindergarten	112	-	111	-	1	-	112	-	111	-	1	-				
1st Grade	119	-	119	-	-	-	119	-	119	-	-	-				
2nd Grade	107	-	107	-	-	-	107	-	107	-	-	-				
3rd Grade	101	-	101	-	-	-	101	-	101	-	-	-				
4th Grade	92	-	93	-	(1)	-	92	-	93	-	(1)	-				
5th Grade	78	-	77	-	1	-	78	-	77	-	1	-				
6th Grade	81	-	81	-	-	-	81	-	81	-	-	-				
7th Grade	74	-	74	-	-	-	74	-	74	-	-	-				
8th Grade	89	-	89	-	-	-	89	-	89	-	-	-				
9th Grade	81	-	81	-	-	-	81	-	81	-	-	-				
10th Grade	87	-	87	-	-	-	87	-	87	-	-	-				
11th Grade	92	-	92	-	-	-	92	-	92	-	-	-				
12th Grade	115	-	115	-	-	-	115	-	115	-	-	-				
Subtotal	1,234	-	1,233	-	1	-	1,234	-	1,233	-	1	-	-	-	-	-
Spec Ed - Elementary	142	-	142	-	-	-	50	-	50	-	-	-	1	1	1	-
Spec Ed - Middle School	69	-	69	-	-	-	69	-	69	-	-	-	3	3	3	-
Spec Ed - High School	143	-	143	-	-	-	143	-	143	-	-	-	12	10	10	-
Subtotal	354	-	354	-	-	-	262	-	262	-	-	-	16	14	14	-
Totals	1,588	-	1,587	-	1	-	1,496	-	1,495	-	1	-	16	14	14	-
Percentage Error					<u>0.06%</u>	<u>0.00%</u>					<u>0.07%</u>	<u>0.00%</u>				<u>0.00%</u>

**HOPATCONG BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	31	31	-	6	6	-	2	2	-	2	2	-
1st Grade	31	31	-	7	7	-	4	4	-	4	4	-
2nd Grade	34	34	-	7	7	-	5	5	-	3	2	1
3rd Grade	16	16	-	3	3	-	2	2	-	2	2	-
4th Grade	23	23	-	5	5	-	-	-	-	-	-	-
5th Grade	16	16	-	3	3	-	-	-	-	-	-	-
6th Grade	24	24	-	5	5	-	1	1	-	1	1	-
7th Grade	19	19	-	4	4	-	-	-	-	-	-	-
8th Grade	19	19	-	4	4	-	1	1	-	1	1	-
9th Grade	22	22	-	5	5	-	-	-	-	-	-	-
10th Grade	24	24	-	5	5	-	-	-	-	-	-	-
11th Grade	29	29	-	6	6	-	-	-	-	-	-	-
12th Grade	26	26	-	6	6	-	-	-	-	-	-	-
Subtotal	314	314	-	66	66	-	15	15	-	13	12	1
Spec Ed - Elementary	42	34	8	7	7	-	1	1	-	1	1	-
Spec Ed - Middle School	28	29	(1)	6	6	-	-	-	-	-	-	-
Spec Ed - High School	56	59	(3)	12	12	-	-	-	-	-	-	-
Subtotal	126	122	4	25	25	-	1	1	-	1	1	-
Totals	440	436	4	91	91	-	16	16	-	14	13	1
Percentage Error			<u>0.91%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>7.14%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	450	450	-	90	90	-
Transported - Non-Public	113	113	-	56	56	-
Regular - Spec.	75	75	-	37	37	-
Special Needs - Public	23	23	-	10	10	-
Totals	661	661	-	193	193	-
			<u>0.00%</u>			<u>0.00%</u>

**HOPATCONG BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

	LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Preschool (3 Yrs)	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	1	1	-	1	1	-
1st Grade	-	-	-	-	-	-
2nd Grade	-	-	-	-	-	-
3rd Grade	1	1	-	1	1	-
4th Grade	-	-	-	-	-	-
5th Grade	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-
8th Grade	2	2	-	1	1	-
9th Grade	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-
Subtotal	4	4	-	3	3	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	1	1	-	1	1	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	1	1	-	1	1	-
Totals	5	5	-	4	4	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**HOPATCONG BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SECTION 1A - Two Percent (2%) - Calculation of Excess

2015-2016 Total General Fund Expenditures per the CAFR \$40,005,319

Decreased by:

On-Behalf TPAF Pension & Social Security 3,790,104

Adjusted 2015-2016 General Fund Expenditures \$36,215,215

2% of Adjusted 2015-2016 General Fund Expenditures \$ 724,304

Increased by:

Allowable Adjustment * 23,823

Maximum Unassigned Fund Balance \$ 748,127

SECTION 2

Total General Fund - Fund Balance at June 30, 2016 \$ 5,267,015
(Per CAFR Budgetary Comparison Schedule C-1)

Decreased by:

Year-End Encumbrances

Nonspendable Fund Balance - Prepaid Item 105,627

Other Restricted Fund Balance - Capital Reserve 1,544,050

Other Restricted Fund Balance - Maintenance Reserve 331,541

Other Restricted Fund Balance - Emergency Reserve 50,000

Other Restricted Fund Balance - Excess Surplus - Designated for Subsequent
Year's Expenditures 698,518

Other Restricted Fund Balance - SEMI - FY14 Cost Settlement 27,383

Assigned - Reserve for Encumbrances 599,021

3,356,140

Total Unassigned Fund Balance \$ 1,910,875

Restricted Fund Balance - Excess Surplus \$ 1,162,748

*** Detail of Allowable Adjustments**

Additional Nonpublic School Transportation Aid \$ 23,823

Total Adjustments \$ 23,823

**HOPATCONG BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

- * 1. All purchase orders contain a receipt of goods/services certification prior to payment.
- * 2. Internal controls over travel and expense reimbursements be reviewed and enhanced to ensure a travel maximum is properly approved by Board resolution and post travel reports are obtained and attached to a reimbursement request.
- 3. Year end closing procedures be reviewed and enhanced to ensure open purchase orders are complete and properly classified as accounts payable or encumbrances.
- 4. The monthly and year to date 10% transfer reports be prepared and remitted to the Executive County Superintendent, and specific approval be sought for transfers exceeding the maximum allowable amount.
- 5. Internal controls be enhanced to ensure cash balances are monitored to prevent cash overdrafts from occurring.

III. School Purchasing Program

It is recommended that:

- * 1. Bids and/or quotations be obtained whenever a purchase exceeds the limit set forth by the Public School Contracts Law.
- * 2. Business Registration and Political Contribution Disclosure Forms be on file when required.
- 3. All contracts/purchases in excess of the bid threshold made under cooperative purchasing contracts be approved by Board resolution.
- 4. All bid documents be available for audit.
- 5. All professional service contracts be advertised when awarded.
- 6. State contract and cooperative agreements vendor files be maintained, supporting and documenting information related to the applicable cooperative purchases and state contracts utilized by the District.
- 7. Notification be provided to the Office of the State Comptroller of all contracts awarded by the District for Sussex Regional Cooperative Transportation Services which exceed \$2 million in accordance with N.J.S.A. 52:15C-10.

IV. School Food Services

There are none.

V. Day Plus Program

There are none.

**HOPATCONG BOARD OF EDUCATION
RECOMMENDATIONS
(Continued)**

VI. Student Body Activities

It is recommended that:

- * 1. Proper supporting documentation for all student activity receipts and disbursements be maintained and available for audit.
- * 2. Prenumbered receipts should be utilized for all accounts and include the proper composition of the deposit (checks vs. cash).
- * 3. Expenses should only be for student activity or athletic related expenses.
- * 4. All checks issued should contain at least two authorization signatures.
- * 5. Outstanding checks should be reviewed and cleared of record.
- * 6. Bank reconciliations contain only valid reconciling items.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

It is recommended that all current year additions and prior year adjustments be properly reflected in the district's capital asset inventory.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all except the items denoted with an asterisk (*).

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Gary J. Vinci
Certified Public Accountant
Public School Accountant