

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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LERCH, VINCI & HIGGINS, LLP

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INDEPENDENT AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Trustees
East Hanover Township Board of Education
East Hanover, 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 East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated October 25, 2017.

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.

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

Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 25, 2017

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Fire insurance coverage was carried in the amounts as reported on Exhibit J-20 as contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Deborah Muscara	Board Secretary/School Business Administrator	\$250,000
Jon S. Rheinhardt Sr.	Treasurer of School Monies	\$225,000

There is Employees' Dishonesty with Faithful Performance coverage with NJSBAIG covering all other employees with multiple coverage of \$250,000.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

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

The net salaries of all employees tested of the Board were deposited in the Payroll Account. Employees' payroll deductions tested and employer's share of fringe benefits tested were deposited in the Payroll Agency Account.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Salary withholdings tested were promptly remitted to the proper agencies, including health benefits premium withholding due to the General Fund.

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

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

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. 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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-2.4. As a result of the procedures performed, no errors were noted.

Travel

The District has adopted a policy regulating travel.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in very good condition.

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

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

The prescribed contractual order system was followed.

Treasurer's Records

The Treasurer did perform reconciliations for the general operating account, payroll agency and the net payroll account.

All cash receipts were promptly deposited.

The Treasurer's report was in agreement with the records of the Board Secretary.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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 Fiduciary Fund.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I and II of the Elementary and Secondary Education Act.

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.

Other Special Federal and/or State Projects

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

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

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. Reimbursements to the State for Federal Salary Expenditures

None.

Non-Public State Aid

None.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$40,000 (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. On July 16, 2012, the Board of Education appointed Deborah Muscara as a 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 goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No such violations were noted.

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 the district purchased items through the use of State contracts.

Food Service Fund

The District does not participate in the National School Lunch Program.

The financial transactions and statistical records of the school's Milk Program were maintained in satisfactory condition.

Expenditures were separately recorded as milk and other costs. Vendor invoices were reviewed and costs verified.

There was no inventory at June 30, 2017.

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 non-profit status of the school's Milk Program.

After School Child Care Program

The records of the after school child care program were in good condition.

Student Activity Funds

The District had a policy and procedures in place for regulating the student activity funds.

Cash disbursements and receipts records were maintained in good condition.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private school for the handicapped, low-income 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 with isolated exceptions. The information that was included on the workpapers was verified with isolated exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms of 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 2016-17 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Facilities and Capital Assets

Capital asset records were updated for the additions and disposals of capital assets made throughout the year.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MILK COUNTY ACTIVITY AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/14/2016

	2017-18 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 Veri- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool - 3 years	8		8		-	-	8		8		-	-					
Half Day Preschool - 4 years	14		14		-	-	14		14		-	-					
Full Day Kindergarten	85		85		-	-	85		85		-	-					
One	90		90		-	-	90		90		-	-					
Two	87		87		-	-	87		87		-	-					
Three	85		85		-	-	85		85		-	-					
Four	86		86		-	-	86		86		-	-					
Five	101		101		-	-	101		101		-	-					
Six	84		84		-	-	84		84		-	-					
Seven	97		97		-	-	97		97		-	-					
Eight	105		105		-	-	105		105		-	-					
Nine					-	-					-	-					
Ten	-	-	-	-	-	-	-	-	-	-	-	-					
Eleven	-	-	-	-	-	-	-	-	-	-	-	-					
Twelve	-	-	-	-	-	-	-	-	-	-	-	-					
Subtotal	842	-	842	-	-	-	842	-	842	-	-	-					
Spec Ed - Elementary	69		69		-	-	17		17		-	-	5	5	5	-	
Spec Ed- Middle School	62		62		-	-	16		16		-	-	2	2	2	-	
Spec Ed - High School					-	-					-	-				-	
Subtotal	131	-	131	-	-	-	33	-	33	-	-	-	7	7	7	-	
Totals	973	-	973	-	-	-	875	-	875	-	-	-	7	7	7	-	
Percentage Error					<u>0.00%</u>								<u>0.00%</u>			<u>0.00%</u>	

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/14/2016

	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 Pre-School (3 Yrs)			-									
Half Day Pre-School (4 Yrs)			-									
Half Day Kindergarten			-									
One	3	3	-	3	3	-						
Two	3	3	-	3	3	-	1	1	-	1	1	-
Three	3	3	-	3	3	-						
Four	3	3	-	3	3	-						
Five	3	3	-	3	3	-						
Six	5	5	-	4	4	-						
Seven	1	1	-	1	1	-						
Eight	2	2	-	1	1	-						
Nine			-			-						
Ten			-			-						
Eleven			-			-						
Twelve			-			-						
Subtotal	23	23	-	21	21	-	1	1	-	1	1	-
Spec Ed - Elementary	2	2	-	1	1	-						
Spec Ed- Middle School	2	2	-	1	1	-						
Spec Ed - High School			-			-						
	4	4	-	2	2	-						
Totals	27	27	-	23	23	-	1	1	-	1	1	-

Percentage Error 0.00% 0.00% 0.00% 0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	235	235	-	113	113	-
Regular - Sped.	43	43	-	21	21	-
Transported- Non- Public	3	3	-	1	1	-
Special Needs- Public	61	61	-	29	29	-
Totals	342	342	-	164	164	-

0.00% 0.00%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/14/2016

	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 Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten			-			-
Full Day Kindergarten	3	3	-	3	3	-
One	2	2	-	2	2	-
Two	2	2	-	2	2	-
Three	3	3	-	2	2	-
Four			-			-
Five	1	1	-	-	-	-
Six	2	2	-	2	-	2
Seven	1	1	-	1	1	-
Eight	1	1	-	1	1	-
Nine	-	-	-			-
Ten	-	-	-	-	-	-
Eleven	-	-	-	-	-	-
Twelve	-	-	-	-	-	-
Subtotal	15	15	-	13	11	2
Spec Ed - Elementary	1	1	-	1	1	-
Spec Ed- Middle School	1	1	-	1	1	-
Spec Ed - High School	-	-	-	-	-	-
	2	2	-	2	2	-
Totals	17	17	-	15	13	2
Percentage Error			0.00%			13.33%

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1A

2016-2017 Total General Fund Expenditures per the CAFR	\$	20,810,882
Increased by:		
Transfers from Capital Reserve to Capital Projects Fund		879,500
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$	2,346,504
Capital Lease Purchase Agreements		<u>56,831</u>
		<u>2,403,335</u>
Adjusted 2016-2017 General Fund Expenditures	\$	<u>19,287,047</u>
2% of Adjusted 2016-2017 General Fund Expenditures	\$	385,741
Increased by: Allowable Adjustment		<u>218,261</u>
Maximum Unassigned Fund Balance	\$	<u>604,002</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	3,271,247
Decreased by:		
Year End Encumbrances		182,895
Legally Restricted- Excess Surplus- Designated for Subsequent Year's Expenditures		145,010
Other Restricted Fund Balances		<u>2,193,978</u>
Total Unassigned Fund Balance	\$	<u>749,364</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	\$	<u>145,362</u>
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Recapitulation of Excess Surplus as of June 30, 2017

Excess Surplus- Designated for Subsequent Year's Expenditures	\$	145,010
Excess Surplus		<u>145,362</u>
Total Excess Surplus	\$	<u>290,372</u>

Detail of Allowable Adjustments

Extraordinary Aid (Not Budgeted)	\$	201,557
Non Public Transportation Aid		<u>16,704</u>
	\$	<u>218,261</u>

Detail of Other Restricted Fund Balances

Capital Reserve	\$	1,645,036
Capital Reserve- Designated for Subsequent Year's Expenditures		228,400
Maintenance Reserve		200,000
Maintenance Reserve- Designated for Subsequent Year's Expenditures		<u>120,542</u>
	\$	<u>2,193,978</u>

EAST HANOVER TOWNSHIP BOARD OF EDUCATION

RECOMMENDATIONS

I. **Administration Practices and Procedures**

There are none.

II. **Financial Planning, Accounting and Reporting**

There are none.

III. **School Purchasing Program**

There are none.

IV. **After School Child Care Program**

There are none.

V. **Student Activity Fund**

There are none.

VI. **Application for State School Aid**

There are none.

VII. **Pupil Transportation**

There are none.

VIII. **Miscellaneous**

There are none.

IX. **Facilities and Capital Assets**

There are none.

X. **Status of Prior Year Audit Findings/Recommendations**

In accordance with government auditing standards, our procedures included a review of the prior year recommendation; however, there were no prior year recommendations.

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



Paul J. Lerch
Public School Accountant
Certified Public Accountant