

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

**NORTH HALEDON BOARD OF EDUCATION  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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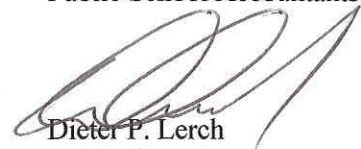
Honorable President and  
Members of the Board of Trustees  
North Haledon Board of Education  
North Haledon, New Jersey

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 North Haledon Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 18, 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

  
Dieter P. Lerch  
Public School Accountant  
PSA Number CS00756

Fair Lawn, New Jersey  
September 18, 2017

**NORTH HALEDON 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 detailed on the Insurance Schedule contained in the district's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Donow	Treasurer of School Monies	\$200,000
Katine Slunt	Business Administrator	100,000

There is a Public Employees' Faithful Performance Blanket Position Bond with New Jersey Schools Insurance Group covering all other employees with multiple coverage of \$500,000.

**Financial Planning, Accounting and Reporting**

Examination of Claims

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

Payroll Account

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 President of the Board and the Board Secretary/Business Administrator.

**NORTH HALEDON 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)

Health benefit withholdings were always remitted to general fund.

Payrolls were delivered to the Treasurer of School Monies with a warrant made to her 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(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.

Board Secretary's Records

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

Treasurer's Records

The Treasurer performed cash reconciliations for the general operating account, net payroll and payroll agency accounts.

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

The Treasurer's cash balance for the general operating accounting was in agreement with the reconciled cash balance as determined during the audit.

The Bank reconciliations included reconciling items.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

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

**Financial Planning, Accounting and Reporting (Continued)**

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. financial exhibits contained herein represent a true statement of the financial position pertaining to projects under Title I and Title II of the Elementary and Secondary Education Act as amended.

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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedules 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 contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

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 to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report 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

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 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 \$18,800 for 2016/17.

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

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

**Financial Planning, Accounting and Reporting (Continued)**

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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

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

**School Food Services**

The School Food Service Program was not selected as a major State program nor were the program expenditures in excess of \$100,000 for the year. The District was not subject to a federal single audit.

The financial transactions and statistical records of the school food services were maintained in a satisfactory condition.

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.

Expenditures 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.

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 food service. Net cash resources did not exceed three months average expenditures.

The district did not provide the revenue and expenditure information necessary in order to execute the USDA mandated non-program food revenue tool at least annually.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

**Student Activity Funds**

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

Receipts were promptly deposited.

Prenumbered receipts were utilized.

**Finding** – Checks did not always contain two (2) authorized signatures.

**Recommendation** – In all instances, student activity account checks include two (2) authorization signatures.

Upon review of the cash disbursements from the student accounts, our audit revealed supporting documentation was available for disbursements, with no exceptions noted.

**NORTH HALEDON 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 15, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, 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 the district workpapers without exception. The information that was included on the workpapers was verified with exceptions.

**Finding** – Our audit indicated certain students were reported on the ASSA as low income without an application on file for free and reduced priced lunches.

**Recommendation** – Only those students with a valid application for free or reduced priced lunches be reported as low income on the ASSA.

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 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 with no 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.

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings.



**NORTH HALEDON BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(MEMORANDUM ONLY)**

**NOT APPLICABLE**

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

**NOT APPLICABLE**

**NORTH HALEDON BOARD OF EDUCATION  
A.S.S.A.  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2016**

	2017-2018 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																
Half Day Preschool - 4 years																
Half Day Kindergarten																
Full Day Kindergarten	68		68				68		68							
1st Grade	62		62				62		62							
2nd Grade	68		68				68		68							
3rd Grade	59		59				59		59							
4th Grade	71		71				71		71							
5th Grade	61		61				61		61							
6th Grade	60		60				60		60							
7th Grade	53		53				53		53							
8th Grade	53		53				53		53							
9th Grade																
10th Grade																
11th Grade																
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>555</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	58		58				44		44				9	9	9	
Spec Ed - Middle School	32		32				25		25				1	1	1	
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>90</b>	<b>-</b>	<b>90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69</b>	<b>-</b>	<b>69</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>-</b>
<b>Totals</b>	<b>645</b>	<b>-</b>	<b>645</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>624</b>	<b>-</b>	<b>624</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>-</b>
<b>Percentage Error</b>					<b>0.00%</b>					<b>0.00%</b>					<b>0.00%</b>	

NORTH HALEDON BOARD OF EDUCATION  
A.S.S.A.  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 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												
Full Day Kindergarten	3	3		2	2							
1st Grade	6	6		4	4		1	1		1	1	
2nd Grade	10	10		7	7		2	2		2	2	
3rd Grade	12	12		8	8		1	1		1	1	
4th Grade	15	15		10	9	1						
5th Grade	13	13		10	10							
6th Grade	6	6		4	3	1						
7th Grade	9	9		6	3	3						
8th Grade	12	12		8	3	5						
9th Grade												
10th Grade												
11th Grade												
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>86</b>	<b>86</b>	<b>-</b>	<b>59</b>	<b>49</b>	<b>10</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>-</b>
Spec Ed - Elementary	14	14		10	9	1						
Spec Ed - Middle School	12	12		8	7	1						
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>26</b>	<b>26</b>	<b>-</b>	<b>18</b>	<b>16</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>112</b>	<b>112</b>	<b>-</b>	<b>77</b>	<b>65</b>	<b>12</b>	<b>4</b>	<b>4</b>	<b>-</b>	<b>4</b>	<b>4</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>15.58%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools						
Transported - Non-Public	51	51		35	35	
AIL - Non-Public	60	60		41	41	
Regular - Spec.						
Special Needs - Public	14	14	-	9	9	-
<b>Totals</b>	<b>125</b>	<b>125</b>	<b>-</b>	<b>85</b>	<b>85</b>	<b>-</b>
			<u>0.00%</u>			<u>0.00%</u>

**NORTH HALEDON BOARD OF EDUCATION  
A.S.S.A.  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 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	2	2		2	2	
1st Grade						
2nd Grade	1	1		1	1	
3rd Grade						
4th Grade						
5th Grade						
6th Grade						
7th Grade						
8th Grade						
9th Grade						
10th Grade						
11th Grade						
12th Grade	-	-	-	-	-	-
<b>Subtotal</b>	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Spec Ed - Elementary						
Spec Ed - Middle School						
Spec Ed - High School	-	-	-	-	-	-
<b>Subtotal</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<u><u>3</u></u>	<u><u>3</u></u>	<u><u>-</u></u>	<u><u>3</u></u>	<u><u>3</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>0.00%</u></u>			<u><u>0.00%</u></u>

**NORTH HALEDON BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2015-2016 expenditures of \$100 million or less)**

2016-2017 Total General Fund Expenditures per the CAFR	\$ 10,522,757
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,308,075)</u>
Adjusted 2016-2017 General Fund Expenditures	9,214,682
2% of Adjusted 2016-2017 General Fund Expenditures	<u>184,294</u>
Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000	250,000
Increased by:	
Allowable Adjustment	<u>102,881</u>
Maximum Unassigned Fund Balance	<u>\$ 352,881</u>

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison schedule/statement)	\$ 875,021
Decreased by:	
Reserved for Encumbrances	204,382
Capital Reserve	11,708
Maintenance Reserve	15,000
Assigned - Designated for Subsequent Year	<u>67,461</u>
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation	<u>\$ 576,470</u>

**SECTION 3**

Restricted Fund Balance - Excess Surplus	<u>\$ 223,589</u>
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**Detail of Allowable Adjustments**

Non-Public Transportation Aid	\$ 10,693
Extraordinary Aid	<u>92,188</u>
	<u>\$ 102,881</u>

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

**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. School Food Services**

There are none.

**V. Student Body Activities**

It is recommended that, in all instances, student activity checks include two (2) authorization signatures.

**VI. Application for State School Aid**

It is recommended that only those students with a valid application on file for free or reduced price lunches be reported as low income on the ASSA.

**VII. Transportation**

There are none.

**VIII. Status of Prior Year's Audit Findings/Recommendations**

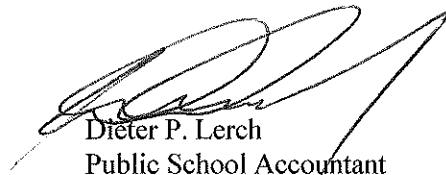
The prior year recommendations have been corrected by management.

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

**ACKNOWLEDGEMENT**

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

Respectfully submitted,  
LERCH, VINCI & HIGGINS, LLP

A handwritten signature in black ink, appearing to read "Dieter P. Lerch", is written over the typed name.

Dieter P. Lerch  
Public School Accountant  
Certified Public Accountant