

**NEW HANOVER TOWNSHIP
SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT
FISCAL YEAR ENDED JUNE 30, 2018**

NEW HANOVER SCHOOL DISTRICT

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE

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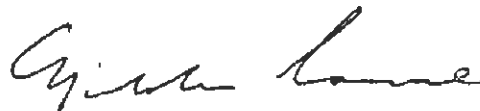
REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
New Hanover Township School District
Wrightstown, New Jersey 08562
County of Burlington

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the New Hanover Township School District in the County of Burlington for the year ended June 30, 2018, and have issued our report thereon dated November 30, 2018.

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 New Hanover Township School District Board of Education management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Nicholas A. Cannone
Licensed Public School Accountant
No. CS-02103
Cannone & Company, CPAs

November 30, 2018

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

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

Insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the Statistical Section of the District's CAFR.

Adequacy of insurance coverage is the responsibility of the Board of Education.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Maria Anne Parry, CPA, PSA	Board Secretary/School Business Administrator	\$175,000
Patrick Collum	Reconciling Agent	\$250,000

There is a Public Employees' Dishonesty Policy with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$250,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs did not vary significantly from estimated costs.

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 and Position Control Roster

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 were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

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 payment.

Our auditing work identified the following exceptions:

Finding (2018-1):

In June 2018 wire transfers from the General Fund to the Payroll Agency Account and Net Payroll Account were not in agreement with the designated amounts.

Recommendation (2018-1):

Internal controls for wire transfers from the General Fund to the Payroll Agency Account and Net Payroll Account should be improved.

Finding (2018-2):

Gross Payroll and TPAF Pension Salaries for the quarter ending June 30, 2018 were misreported due to a voided check which was not processed correctly in Systems 3000.

Recommendation (2018-2):

Cancelled payroll checks should be voided and replaced in Systems 3000 to insure Payroll and Pensions are reported accurately.

Reserve for Encumbrances and Accounts Payable

All encumbrances and accounts payable at June 30, 2018 were properly recorded and classified.

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 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-8.3. 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.

Board Secretary's Records

The Board Secretary's Records were found to be in order except for the following:

Finding (2018-3):

Budgetary line accounts for FICA Regular and Student Transportation Salaries were over expended during the fiscal year.

Recommendation (2018-3):

Approved budgetary line accounts should not be over expended.

Treasurer's Records (optional position)

The Treasurer's Records were found to be in order.

Elementary and Secondary Education Act/Elementary and Secondary Act as amended by the Every Student Succeeds Act (ESSA)

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 the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects did not indicate any areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly 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.

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 \$19,000 for 2017-18.

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 questions arise 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.

Based on the results of my examination, I did not note any 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*.

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

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 District'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 satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and *19-1* through *19-4.1*. Provisions of the FSMC contract were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will either break even, return a profit or incur a loss of not more than a specified amount. The operating results provision has been met.

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.

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 is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

U.S.D.A. Food Distribution Program (food and/or commodities) were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

Student Body Activities

During our review of the Student Activity Funds, we did not note any areas of non-compliance.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, 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. The information that was included on the workpapers was verified. Any errors or exceptions were rectified. 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 2017-18 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. No exceptions were noted. 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. The bid specifications for the purchase of buses were in compliance with applicable statutes. 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. Corrective action had been taken on all prior year findings.

Acknowledgment

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.

**BOARD OF EDUCATION
NEW HANOVER TOWNSHIP SCHOOL DISTRICT
COUNTY OF BURLINGTON
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017**

	2016-2017 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 Registers 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	13		13					13		13						
Full Day Preschool																
Half Day Kindergarten																
Full Day Kindergarten	22		22					22		22						
One	23		23					23		23						
Two	26		26					26		26						
Three	14		14					14		14						
Four	22		22					22		22						
Five	14		14					14		14						
Six	8		8					8		8						
Seven	9		9					9		9						
Eight	18		18					18		18						
Subtotal	169	0	169	0				169	0	169	0	0	0	0	0	0
Special Education:																
Elementary School	12		12					12		12						
Middle School	12		12					12		12						
Subtotal	24	0	24	0	0	0		24	0	24	0	0	0	0.0	0.0	0.0
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	193	0	193	0	0	0		193	0	193	0	0	0	0.0	0.0	0
Percentage Error					0.00%							0.00%				

**BOARD OF EDUCATION
NEW HANOVER TOWNSHIP SCHOOL DISTRICT
COUNTY OF BURLINGTON
SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017**

	Resident Low Income			Sample for Verification			Resident 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 LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	13	13		13	13		0	0		0	0	
One	14	14		14	14		6	6		6	6	
Two	19	19		19	19		8	8		8	8	
Three	10	10		10	10		5	5		5	5	
Four	14	14		14	14		6	6		6	6	
Five	9	9		9	9		0	0		0	0	
Six	5	5		5	5		0	0		0	0	
Seven	4	4		4	4		1	1		1	1	
Eight	10	10		10	10		1	1		1	1	
Subtotal	98	98	0	98	98	0	27	27	0	27	27	0
Special Education:												
Elementary School	8	8		8	8		4	4		4	4	
Middle School	11	11		11	11		3	3		3	3	
Subtotal	19	19	0	19	19	0	7	7	0	7	7	0
Co. Voc. - Regular												
Co. Voc. Fl. Post Sec.												
Totals	117	117	0	117	117	0	34	34	0	34	34	0
Percentage Error			0.00%			0.00%						

	Reported on DRTRS by DOE			Reported on DRTRS by District			Transportation			Re-Reported	Re-Calculated
	Tested	Verified	Errors	Tested	Verified	Errors	Average Mileage - Regular Including Grade PK students	Average Mileage - Regular Excluding Grade PK students	Average Mileage - Special Ed with Special Needs		
All Non-Public	3.0	3.0	0.0	3.0	3.0	0.0					
Regular - Public Schools	12.6	126.0	0.0	126.0	126.0	0.0	Average Mileage - Regular Including Grade PK students	7.0	7.0		
Regular - Special Education	7.0	7.0	0.0	7.0	7.0	0.0	Average Mileage - Regular Excluding Grade PK students	7.2	7.0		
Transported Non-Public	0.0	0.0	0.0	0.0	0.0	0.0	Average Mileage - Special Ed with Special Needs	12.5	12.5		
Special Ed Spec	15.0	15.0	0.0	15.0	15.0	0.0					
Totals	34.6	148.0	0.0	148.0	148.0	0.0					
Percentage Error			0.00%			0.00%					

BOARD OF EDUCATION
NEW HANOVER TOWNSHIP SCHOOL DISTRICT
COUNTY OF BURLINGTON
SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	0	0		0	0	
One	1	1		1	1	
Two	0	0		0	0	
Three	0	0		0	0	
Four	0	0		0	0	
Five	0	0		0	0	
Six	0	0		0	0	
Seven	0	0		0	0	
Eight	0	0		0	0	
Subtotal	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Special Education:						
Elementary School	0			0	0	
Middle School	0			0	0	
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			

**NEW HANOVER TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
As of June 30, 2018**

Section 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR	\$	5,719,209
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$	553,363
Assets Acquired under Capital Leases		
Adjustment for Disallowed Expenditures per S1701		<u> </u>
Adjusted 17-18 General Fund Expenditures	\$	5,165,846
2% of Adjusted 2017-18 General Fund Expenditures	\$	103,317
The greater of \$250,000 or 2% of Adjusted General Fund Expenditures		250,000
Increased by Allowable Adjustment		<u>499,061</u>
Maximum Unreserved/Undesignated Fund Balance	\$	<u><u>749,061</u></u>

Section 2

Total General Fund Balances @ 06/30/18	\$	3,320,246
Decreased by:		
Year-end Encumbrances	\$	91,507
Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures		316,043
Other Restricted Fund Balances		2,323,005
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures		47,803
Assigned Fund Balance - Unreserved - Designated for Impact Aid Reserve		<u>165,819</u>
Total Unassigned Fund Balance	\$	376,069
Increased by:		
Adjustment for Disallowed Transfers per S1701	\$	<u> </u>
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation	\$	<u><u>376,069</u></u>

Section 3

Restricted Fund Balance - Excess Surplus	\$	<u> </u>
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Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus -- Designated for Subsequent Year's Expenditures	\$	316,043
Reserved Excess Surplus		<u> </u>
Total	\$	316,043

Detail of Allowable Adjustments

Impact Aid	\$	479,859
Sale and Lease-back		
Extraordinary Aid		18,332
Additional Non Public School Transportation Aid		870
Unbudgeted TPAF Wage Freeze Grant Funding		
Higher Expectations for Learning and Proficiency Aid		<u> </u>
Total Adjustments	\$	499,061

Detail of Other Restricted Fund Balance

Statutory Restrictions:		
Approved unspent separate proposal	\$	
Capital Outlay for a district with a Capital Outlay cap waiver		
Sale/Lease-Back Reserve		
Capital Reserve		696,543
Maintenance Reserve		131,462
Emergency Reserve		
Tuition Reserve		
Other State/Government Mandated Reserve		<u>1,495,000</u>
		2,323,005
[Other Restricted Fund Balance not noted above]		
Total Other Restricted Fund Balance	\$	<u><u>2,323,005</u></u>

**New Hanover Township School District
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2018**

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

(2018-1) It is recommended that internal controls for wire transfers from the General Fund to the Payroll Agency Account and Net Payroll Account agree with designated amounts.

(2018-2) It is recommended that cancelled payroll checks be voided and replaced in Systems 3000 to insure Payroll and Pensions are reported accurately.

(2018-3) It is recommended that the approved budgetary line accounts not be over expended.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.