

**MINE HILL TOWNSHIP BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

**MINE HILL TOWNSHIP BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Mine Hill Township Board of Education
Mine Hill, 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 Mine Hill Township Board of Education as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 13, 2019.

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 Education, 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
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
December 13, 2019

**MINE HILL TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary, Treasurer of School Monies, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Schedule of Insurance reported on Exhibit J-20 in the District's Comprehensive Annual Financial Report (CAFR).

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Carolina Rodriguez	School Business Administrator/ Board Secretary	\$195,000
Lisa Palmieri	Treasurer of School Monies	185,000

There is a Public Employees' Dishonesty Insurance Coverage covering all other employees with \$500,000 per loss.

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 each of signature certification and proper itemization.

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.

Finding – Our audit revealed that the payroll registers were not always certified by the Superintendent.

Recommendation – All payrolls be approved by the Superintendent, the Board Secretary/Business Administrator and by the President of the Board.

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

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.

**MINE HILL TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

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 and it was determined that no blanket purchase orders were included in the balance of the reserve 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 – Our audit revealed that \$109,918 of 2017-2018 encumbrances were not rolled over into the 2018-2019 budget.

Recommendation – Greater care be exercised at year end to ensure all prior year encumbrances roll forward into the subsequent year’s budget.

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:23-8.3. As a result of the procedures performed no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

Finding – Certain cash receipts were deposited in the incorrect fund, creating various interfunds on the District’s year end financial statements.

Recommendation – Greater care be exercised when depositing the District’s cash receipts. Furthermore, the year end interfund balances be cleared of record.

Finding – A budget appropriation account was overexpended at June 30, 2019. This is a result of an audit adjustment, thus a recommendation is not warranted.

Finding – Certain wire transfers incorrectly labeled the payee on the District’s budget reports.

Recommendation – The District’s budget reports accurately report the name of the account where the wire transfers are payable to.

Acknowledgement of the Board’s receipt of the Board Secretary’s monthly financial reports was included in the minutes.

Bids were summarized in the minutes of the Board Secretary.

The Capital Asset records were updated for the additions and disposals of capital assets made during the year.

Treasurer’s Records

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

**MINE HILL TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 Trust/Fiduciary Fund.

Elementary and Secondary School Education Act (E.S.E.A.) 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 projects under Titles I and II of the Elementary and Secondary Education Act.

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 Exhibit K-3 and Exhibit 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.

Teacher's Pension and Annuity Fund

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

The amount of the expenditure 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 Offices 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 (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 transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000. The Board appointed the Business Administrator/Board Secretary as the District's 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.

**MINE HILL TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," 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.

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.

Food Service Fund

The school food service program was not selected as a major federal and/or State program and the program expenditures did not exceed \$100,000 in federal and/or state support.

Finding – Our audit revealed that the Federal and State reimbursements are being deposited in the General Fund and not transferred to the Food Service Fund on a timely basis.

Recommendation – Federal and State reimbursements be transferred to the Food Service Fund on a monthly basis.

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.

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/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will breakeven. 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 disbursement 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.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included on Exhibits B-4, B-5 and B-6 of the District's CAFR.

Student Body Activities

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

Cash receipts and disbursement records were maintained in good condition.

Supporting documentation was maintained for all cash disbursements tested.

**MINE HILL TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, related services 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 with minor exceptions. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

The District had 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 2018-2019 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.

Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The school district did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Suggestions to Management

- All General Fund miscellaneous receipts be identified by source and description when recorded in the District's accounting system.
- Capital Project unexpended balances be reviewed and cleared of record.

**MINE HILL TOWNSHIP BOARD OF EDUCATION
 FOOD SERVICE ENTERPRISE FUND
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Not Applicable
 The District is not subject to a Federal Single Audit**

**FOOD SERVICE ENTERPRISE FUND
 SCHEDULE OF NET CASH RESOURCES – FOOD SERVICE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Net Cash Resources:

Current Assets

Cash and Cash Equivalents	\$	3,843
Due from Other Governments		33,419
Accounts Receivable		3,654

Current Liabilities

Less Accounts Payable		(86)
Less Deferred Revenue		(3,207)

Net Cash Resources

	\$	37,623
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Adjusted Total Operating Expenses:

Total Operating Expenses	\$	131,744
Less Depreciation Expense		(2,024)

Adjusted Total Operating Expenses	\$	129,720
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Average Monthly Operating Expense:

	\$	12,972
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Three Times Monthly Average:

	\$	38,916
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Total Net Cash Resources	\$	37,623
Three Times Monthly Average		38,916
Amount Above Allowable Net Cash Resources	\$	(1,293)

MINE HILL TOWNSHIP BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID
 SCHEDULE OF AUDITED ENROLLMENTS
 OCTOBER 15, 2018

	2019-20 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		Reported on Workpapers On Roll		Errors		Reported on A.S.S.A. as Private Schools	Reported on 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	14		14		-			14		14								
Half Day Preschool - 4 years																		
Full Day Kindergarten	47		47		-			47		47								
1st Grade	58		58		-			58		58								
2nd Grade	43		43		-			43		43								
3rd Grade	39		39		-			39		39								
4th Grade	41		41		-			41		41								
5th Grade	39		39		-			39		39								
6th Grade	37		37		-			37		37								
Subtotal	318	-	318	-	-	-	-	318	-	318	-	-	-	-	-	-	-	-
Spec Ed - Elementary	24		24		-			24		24								
Spec Ed - Middle School	3		3		-			3		3								
Spec Ed - High School					-								4	4	4	4	4	-
Subtotal	27	-	27	-	-	-	-	27	-	27	-	-	4	4	4	4	4	-
Totals	345	-	345	-	-	-	-	345	-	345	-	-	4	4	4	4	4	-
Percentage Error					<u><u>0.00%</u></u>													<u><u>0.00%</u></u>

**MINE HILL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Pre-School (4 Yrs)	3	3	-	1	1	-						
Full Day Kindergarten	14	14	-	7	7	-						
1st Grade	17	16	1	6	6	-						
2nd Grade	13	13	-	5	5	-	1	1	-	1	1	-
3rd Grade	10	10	-	4	4	-						
4th Grade	7	7	-	2	2	-						
5th Grade	11	8	3	5	5	-						
6th Grade	11	11	-	4	4	-						
7th Grade	1	1	-			-						
8th Grade	3	3	-			-						
9th Grade	11	11	-			-						
10th Grade	10	10	-			-						
11th Grade	6	6	-			-						
12th Grade	8	9	(1)			-						
Subtotal	125	122	3	34	34	-	1	1	-	1	1	-
Spec Ed - Elementary	14	11	3	5	5	-	2	2	-	2	2	-
Spec Ed - Middle School	4	6	(2)	1	1	-	1	1	-	1	1	-
Spec Ed - High School	6	3	3			-			-			-
Subtotal	24	20	4	6	6	-	3	3	-	3	3	-
Totals	149	142	7	40	40	-	4	4	-	4	4	-
Percentage Error			<u>4.93%</u>			<u>0.00%</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	172	172	-	45	44	1
Transported - Non-Public			-			-
Regular - Spec.	16	16	-	4	4	-
Special Needs - Public	14	14	-	4	4	-
Totals	202	202	-	53	52	1
			<u>0.00%</u>			<u>1.89%</u>

**MINE HILL TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	Resident 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)						
Full Day Kindergarten			-			-
1st Grade			-			-
2nd Grade			-			-
3rd Grade	1	1	-	1	1	-
4th Grade			-			-
5th Grade			-			-
6th Grade			-			-
7th Grade			-			-
8th Grade			-			-
9th Grade			-			-
10th Grade			-			-
11th Grade			-			-
12th Grade			-			-
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Spec Ed - Elementary			-			-
Spec Ed - Middle School			-			-
Spec Ed - High School			-			-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**MINE HILL TOWNSHIP BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

2018-2019 Total General Fund Budgetary Expenditures	\$ 10,004,318	
Increased by:		
Transfer from Capital Reserve to Capital Projects Fund	751,767	
	10,756,085	
Decreased by:		
On-Behalf TPAF Pension & Social Security	842,763	
	9,913,322	
Adjusted 2018-2019 General Fund Expenditures	\$ 9,913,322	
2% of Adjusted 2018-2019 General Fund Expenditures	\$ 198,266	
Enter Greater of 2% of Adjusted 2018-2019 General Fund Expenditures or \$250,000	\$ 250,000	
Increased by Allowable Adjustments		
Extraordinary Aid	\$ 312,202	
Non-Public Transportation Aid	2,900	
	565,102	565,102
Maximum Unassigned Fund Balance		565,102
Total General Fund - Fund Balance (Budgetary Basis) at June 30, 2019	3,788,707	
Decreased by:		
Encumbrances	55,069	
Capital Reserve	2,921,304	
Maintenance Reserve	281,145	
	3,257,518	
Total Unassigned Fund Balance		531,189
Restricted Fund Balance - Excess Surplus		\$ -

**MINE HILL TOWNSHIP BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. All payrolls be approved by the Superintendent, the Board Secretary/Business Administrator and by the President of the Board.
2. Greater care be exercised at year end to ensure all prior year encumbrances roll forward in the subsequent year's budget.
3. Greater care be exercised when depositing the District's cash receipts. Furthermore, the year end interfund balances be cleared of record.
4. The District's budget reports accurately report the name of the account where the wire transfer are payable to.

III. School Purchasing Program

There are none.

IV. School Food Services

It is recommended that the Federal and State reimbursements be transferred to the Food Service Fund on a monthly basis.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations. Corrective action was taken on all 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



Gary J. Vinci
Certified Public Accountant
Public School Accountant