

**CEDAR GROVE PUBLIC SCHOOLS
AUDITORS MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**CEDAR GROVE PUBLIC SCHOOLS
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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
Cedar Grove Public Schools
Cedar Grove, 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 Cedar Grove Public Schools as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 8, 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
November 8, 2017

**CEDAR GROVE PUBLIC SCHOOLS
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 Exhibit J-20, Insurance Schedule contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Devita	Board Secretary/Business Administrator	\$230,000
William Homa, CPA	Treasurer of School Monies	285,000

There is a Public Employees' Blanket Position Bond with Fidelity & Deposit Co. covering all other employees \$100,000 each person.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal 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 certified by the President of the Board, the Board Secretary/School Business Administrator and approved by the Chief School Administrator.

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

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting

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.

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.

Board Secretary's Records

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

The prescribed contractual order system was followed.

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

Bids received were summarized in the minutes.

Finding- Our audit of the Special Revenue Fund budget revealed the following:

- The local grants/donations are not identified in the District's budget with separate program codes.
- There were certain local funds received that were recorded as a contra-refund to the local program budget.

Recommendation- It is recommended that in the District's Special Revenue Fund budget that:

- All local grants/donations are identified in the District's budget with a separate program codes.
- All local grants/donation funds received are recorded as revenue/receipts.

Travel

The District has established a policy regulating travel.

Treasurer's Records

The Treasurer did perform cash reconciliations for all the accounts as required (N.J.S.A. 18A:17-36).

All cash receipts were promptly deposited.

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

**CEDAR GROVE PUBLIC SCHOOLS
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 Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A./I.A.S.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 IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibits K-3 and K-4 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.

T.P.A.F. Reimbursement

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.

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the Department by the due date.

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 Board appointed the School Business Administrator as a qualified purchasing agent for the Board which raises the bidding threshold to \$40,000. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

The Cedar Grove Public Schools 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 Solicitor'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 result of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The results of our examination indicate that no individual payments, contracts, or agreements which were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, as amended.

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.

School Food Service

The District doesn't participate in the National School Lunch Program.

The financial transactions and statistical records of the school food service fund were maintained in good condition.

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.

Cash receipts and bank records were reviewed for timely deposit.

The District has contracted with Pomptonian as its 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 does not include an operating results provision.

Student Activity and Athletic Association Accounts

The district has established a policy for the recording and processing of the cash receipts and cash disbursements for the student activity accounts.

Finding- Our audit of the Student Activity High School Account revealed the following:

- There were two employees of the District who worked on the High School musical that were paid through the student activity account funds and should have been paid through payroll.
- There was one payment made to a musician by taking cash from the musical ticket sales.

Recommendation- It is recommended that:

- Employees of the District who work on Student Activity functions should be paid through payroll.
- All payments are processed through a written check request and authorized check; no payments should be made through ticket sales collections.

**CEDAR GROVE PUBLIC SCHOOLS
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 schools for the handicapped, related services, low-income and bilingual. 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 or their equivalent.

The District written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with an isolated exception. The information on the DRTRS was compared to District records with an isolated 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 did comply with proper bidding procedures and award of transportation contracts.

Follow-Up on Prior Year Findings

There were no prior year findings.

Management Suggestions

The District continue monitoring its potential arbitrage rebate liability during the temporary financing period for the new referendum project.

**CEDAR GROVE PUBLIC SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF MILK COUNTY ACTIVITY AND (OVER)/UNDERCLAIM
ENTERPRISE FUND
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

**CEDAR GROVE PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016**

	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 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 Pre K (3yrs)																
Full Day Pre K (3yrs)																
Half Day Pre K (4yrs)																
Full Day Pre K (4yrs)	4		4		-	-	4		4							
Half Day Kindergarten					-	-										
Full Day Kindergarten	98		98		-	-	59		59							
Grade 1	77		77		-	-	37		37							
Grade 2	108		108		-	-	57		57							
Grade 3	112		112		-	-	49		49							
Grade 4	99		99		-	-	47		47							
Grade 5	106		106		-	-	106		106							
Grade 6	107		107		-	-	107		107							
Grade 7	114		114		-	-	114		114							
Grade 8	118		118		-	-	118		118							
Grade 9	97		97		-	-	97		97							
Grade 10	115	1	115	1	-	-	115	1	115	1	-	-				
Grade 11	128	1	128	1	-	-	128	1	128	1	-	-				
Grade 12	99	1	99	1	-	-	99	1	99	1	-	-				
Subtotal	1,382	3	1,382	3	-	-	1,137	3	1,137	3	-	-				
Sp Ed- Elementary	93		93		-	-	15		15				9	9	9	-
Sp Ed - Middle School	57		57		-	-	9		9				9	11	11	-
Sp Ed - High School	63	5	64	3	(1)	2	10	-	10	-			19.5	17.5	17.5	-
Subtotal	213	5	214	3	(1)	2	34	-	34	-			37.5	37.5	37.5	-
Totals	1,595	8	1,596	6	(1)	2	1,171	3	1,171	3	-	-	37.5	37.5	37.5	-
Percentage Error					-0.06%	25.00%					0.00%	0.00%				0.00%

**CEDAR GROVE PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A</u>	<u>Reported on Workpapers</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Pre K (3yrs)	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-
Full Day Pre K (4yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	4	4	-	-	-	-
Grade 1	4	4	-	4	4	-
Grade 2	2	2	-	2	2	-
Grade 3	2	2	-	2	2	-
Grade 4	1	1	-	1	1	-
Grade 5	-	-	-	-	-	-
Grade 6	3	3	-	3	3	-
Grade 7	-	-	-	-	-	-
Grade 8	1	1	-	1	1	-
Grade 9	-	-	-	-	-	-
Grade 10	1	1	-	1	1	-
Grade 11	2	2	-	2	2	-
Grade 12	2	2	-	2	2	-
Subtotal	<u>22</u>	<u>22</u>	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Sp Ed - Elementary	4	4	-	4	4	-
Sp Ed - Middle School	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-
Subtotal	<u>4</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>
Totals	<u>26</u>	<u>26</u>	<u>-</u>	<u>22</u>	<u>22</u>	<u>-</u>
		<u>0.00%</u>			<u>0.00%</u>	

**CEDAR GROVE PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1A

2016-2017 Total General Fund Expenditures per the CAFR	\$	31,278,989
Increased by:		
Transfer from Capital Reserve to Capital Projects Fund		1,047,009
Decreased by:		
On-Behalf TPAF Pension & Social Security		3,022,444
Adjusted 2016-2017 General Fund Expenditures	\$	29,303,554
2% of Adjusted 2016-2017 General Fund Expenditures		586,071
Increased by: Allowable Adjustment		186,077
Maximum Unassigned Fund Balance	\$	772,148

SECTION 2

Total General Fund - Fund Balance at June 30, 2017	\$	3,076,635
Decreased by:		
Year End Encumbrances		83,455
Legally Restricted- Excess Surplus - Designated for Subsequent Year's Expenditures		989,535
Other Restricted Fund balances		542,934
Total Unassigned Fund Balance	\$	1,460,711

SECTION 3

Fund Balance - Excess Surplus	\$	688,563
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Recapitulation of Excess Surplus as of June 30, 2017

Excess Surplus- Designated for Subsequent Year's Expenditures	\$	989,535
Excess Surplus		688,563
Total Excess Surplus	\$	1,678,098

Detail of Allowable Adjustments

Additional Nonpublic School Transportation Aid	\$	23,838
Extraordinary Aid		162,239
Total Adjustment	\$	186,077

Detail of Other Restricted Fund Balance

Capital Reserve	\$	440,658
Maintenance Reserve		102,276
Total Other Restricted Fund Balance	\$	542,934

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that in the District's Special Revenue Fund budget that:

- All local grants/donations are identified in the District's budget with a separate program codes.
- All local grants/donation funds received are recorded as revenue/receipts.

III. School Purchasing Programs

There are none.

IV. School Food Services

There are none.

V. Student Activity and Athletic Association Accounts

It is recommended that:

- Employees of the District who work on Student Activity functions should be paid through payroll.
- All payments are processed through a written check request and authorized check; no payments should be made through ticket sales collections.

V. Student Body Activities

There are none.

VI. Application of State School Aid

There are none.

VII. Pupil 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

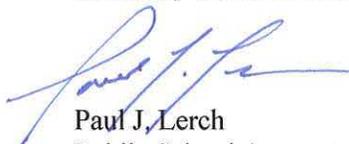
There were no recommendations in the prior year.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ACKNOWLEDGMENT

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

A handwritten signature in blue ink, appearing to read "Paul J. Lerch", is written over the printed name.

Paul J. Lerch
Public School Accountant
PSA Number CS01118