

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

**HOPATCONG BOARD OF EDUCATION  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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## AUDITOR'S MANAGEMENT REPORT

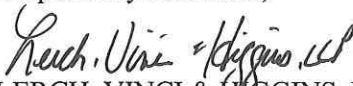
Honorable President and  
Members of the Board of Trustees  
Hopatcong Board of Education  
Hopatcong, New Jersey

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 Hopatcong Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 27, 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.

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  
November 27, 2017

**HOPATCONG 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 Business Administrator/Board Secretary and Treasurer of School Monies, 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 Schedule of Insurance contained in the Statistical Section of the District's Comprehensive Annual Financial Report (the "CAFR").

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Carolyn Joseph	Interim Business Administrator/ Board Secretary	300,000
William Stepka	Treasurer of School Monies	300,000

There is a Blanket Dishonesty Bond with the School Package Policy – School Alliance Insurance Fund covering all other employees with multiple coverage of \$500,000.

**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 material discrepancies with respect to each of signature certification and proper itemization.

**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 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.

**Finding** – Our audit noted several instances where an incorrect budget account code was charged for computer equipment, supplies, required maintenance expenditures and transfers to the athletic account for game officials. These charges were reclassified by an audit adjustment.

**Recommendation** – Continued efforts be made to ensure all expenses are charged to the proper budget account code in accordance with The Uniform Minimum Chart of Accounts for New Jersey Public Schools.

**HOPATCONG 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/Personnel

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 Business Administrator/Board Secretary, and the Chief School Administrator.

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

Employee Position Control Roster

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 to determine that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were received for propriety and to determine that goods were received and services were rendered, as of June 30.

Board Secretary's Records

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

The prescribed contractual order system was followed.

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

Acknowledgement of the Board's receipt of the Board Secretary and Treasurer's monthly financial reports was included in the minutes. The monthly certification of the availability of line item appropriations and fund balances were also approved.

**Finding (CAFR Finding 2017-001 and 2017-005)** – The cash balances on the June 30, 2017 Board Secretary and Treasurer's Reports were not in agreement.

**Recommendation** – Internal controls over financial reporting be reviewed and enhanced to ensure cash balances reflected on the monthly Board Secretary and Treasurer's Reports are in agreement.

**Finding (CAFR Finding 2017-004)** - The monthly and year to date 10% transfer reports submitted to the Executive County Superintendent for approval reported certain budget transfers that required Executive County Superintendent approval. The District was subsequently notified that the approval was denied by the Executive County Superintendent.

**Recommendation** – Expenditures should not be incurred until budget transfers that require approval of the Executive County Superintendent receive such approval.

**Finding** – The District does not maintain a payroll deduction ledger.

**Recommendation** – A payroll deduction ledger be implemented to account for the District's payroll withholding liabilities.

**Finding** – The general operating account and cafeteria account only require two payor signatures on checks drawn from the respective bank accounts.

**Recommendation** – The checks issued by the District contain three signatures as required by NJSA 18A:19-1.

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

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

**Treasurer's Records**

The Treasurer did perform cash reconciliations for all accounts required except the Payroll Agency account.

**Finding** – The audit noted that the Payroll Agency account was not reconciled during the fiscal year ended June 30, 2017.

**Recommended** – The Payroll Agency account be reconciled on a monthly basis.

All cash receipts were promptly deposited.

**Finding (CAFR Finding 2017-002)** – Our audit of the Treasurer's Report and bank reconciliations revealed the following:

- There were numerous reconciling items on the various bank reconciliations that were deemed to be invalid.
- There were instances of checks on the outstanding check list that had previously cleared the bank.
- There were instances of checks issued prior to June 30, 2017 that were not reflected on the outstanding check list.
- The total of the outstanding checks on the Net Payroll account bank reconciliation was not accurate.
- The Payroll Agency account is not included in the Treasurer's Report.

**Recommendation** – The Treasurer's Report should contain all Board accounts, as required and the various bank reconciliations contain only valid reconciling items.

**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 Expendable Trust 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./NCLB 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 Title I, II and III of the Elementary and Secondary Education Act, as amended.

The audit 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 audit 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.

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

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

**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 Reimbursement**

The amount of expenditures 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 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**

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (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. The Board has designated the Interim School Business Administrator as the qualified purchasing agent and has set the bid threshold at \$36,000.

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.

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.

**Finding (CAFR Finding 2017-003)** – Our audit noted the following with regards to compliance with the Public School Contracts Law.

- There were seven instances where the District was unable to provide proof that quotes were obtained.
- There were several instances where a Political Contribution Disclosure Form was not on file at the time a contract was awarded. All but four Political Contribution Disclosure Forms were subsequently received.
- There were three instances where aggregate purchases for a vendor exceeded \$36,000 for which it does not appear bids were obtained.
- State contracts and cooperative agreement purchases that exceed the bid threshold were not approved by Board resolution.
- The District did not obtain bids or quotes for transportation for athletic event trips.

**HOPATCONG BOARD OF EDUCATION  
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)**

**Recommendation –**

- Bids and/or quotations be obtained whenever a purchase exceeds the limit set forth by the Public School Contracts Law.
- Political Contribution Disclosure Forms be on file when required.
- All contracts/purchases in excess of the bid threshold made under State contract or cooperative purchasing agreements be approved by Board resolution.

**Finding** – Our audit revealed that documentation supporting the use of cooperative purchasing agencies and state contract vendors were not maintained on file.

**Recommendation** – State contract and cooperative agreements vendor files be maintained, supporting and documenting information related to the applicable cooperative purchases and state contracts utilized by the District.

**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 SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal or state program. However, the program expenses 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 SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

The financial transactions and statistical records of the school food services were maintained in good condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposits.

The district utilized 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 included an operating results provision which guarantees that the food service program will have no cost/break even.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records, as detailed on the Schedule of Meal Activity.

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 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.



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

**School Food Service (Continued)**

Expenses 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 expense records were maintained in order to substantiate the non-profit status of the school food service.

Exhibits reflecting Child Nutrition Program operations are included in the section of the CAFR entitled Enterprise Funds as Exhibits B-4, B-5 and B-6.

**Finding** – The District had an Administrative Review of the National School Lunch Program. The review disclosed two findings. A corrective action plan was prepared by the District and approved by the State.

**Transportation Services Program**

The financial records of the Transportation Services Program were maintained in good condition.

**Finding** – Our audit of the Sussex Regional Cooperative Transportation Program revealed the following:

- Several instances where a vendor's invoice was not attached to the paid purchase order.
- Instances where the amount being paid to a vendor did not agree to the amount approved in the contract.
- An instance where a transportation bid and all related materials was not available for audit.

**Recommendation** – All supporting documentation for payments to Transportation Services vendors be made available for audit and agree to approved contracts.

**Day Plus Program**

The financial records of the Day Plus Program were maintained in good condition.

**Student Body Activity**

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

**Findings** – Our audit of the Student Activity Funds revealed the following:

- Durban Ave School
  - Prenumbered receipts are not utilized.
  - Certain checks contain only one signature.
  - An instance where goods ordered were delivered to employee's residence.

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

**Student Body Activity (Continued)**

**Findings - (Continued)**

- High School

- Numerous reimbursements to individuals.
- The year-end bank account reconciliation contained erroneous reconciling items.
- Pre-numbered receipts were not utilized. Receipt forms are not pre-numbered and do not include the composition of the deposit (checks vs. cash).
- Separate sub accounts for individual activities are not maintained.
- Several disbursements did not have proper supporting documentation.
- It appears that certain purchases were not student activity related.
- Scholarships are being awarded through the student activity account for which there does not appear to be supporting documentation there are funds on hand to award scholarships. In addition, these transactions should not be processed through the student activity fund.
- Checks are being issued out of sequence.

- Athletic Account

- Prenumbered receipts are not utilized.
- Several outstanding checks are greater than one year old and should be reviewed and cleared of record.
- Several disbursements did not have proper supporting documentation.
- It appears that certain purchases made from the athletic account do not appear to be student athletic or activity related.
- There are several expenses for fundraising that have no supporting evidence that the revenue generated from such fundraising matches the cost of the event.
- The balance of the manual ledger by activity does not agree to the bank reconciliation.
- Certain checks contain only one signature.

**Recommendation:**

- Proper supporting documentation for all student activity receipts and disbursements should be maintained and available for audit.
- Prenumbered receipts should be utilized for all accounts and include the proper composition of the deposit (checks vs. cash)
- Expenses should only be for student activity or athletic related expenses.
- All checks issued should contain at least two authorization signatures.
- Outstanding checks should be reviewed and cleared of record.
- Bank reconciliations contain only valid reconciling items.
- Scholarships awarded should have sufficient funding available and should not be processed through the High School student activity fund.
- Checks issued from the High School account be issued in sequential order.
- Efforts be made to limit the reimbursements paid to individuals.

**HOPATCONG 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 schools for the disabled, 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 District workpapers with minor exceptions. The information on the workpapers was verified with minor 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 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 2016-2017 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. The information was verified to the District records without exception.

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**

**Finding** – Our audit of the capital assets revealed the following:

- Current year additions for certain construction projects were not added to the capital asset inventory report.
- Expenses for road repaving were added to the capital asset inventory report in error.
- Prior year adjustments were not added to the capital asset inventory report.

The financial statements have been modified to reflect these items.

**Recommendation** – All current year additions and prior year adjustments be properly reflected in the District's capital asset inventory.

**Suggestions to Management**

The Board should consider adopting a written policy regarding the use of store procurement cards.

The District prepare a memo formally documenting controls regarding legal costs as they relate to the state-wide average per pupil.

**HOPATCONG BOARD OF EDUCATION  
FOOD SERVICE FUND  
SCHEDULE OF MEAL COUNT ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF MEAL COUNT ACTIVITY**

**NOT APPLICABLE**

**SCHEDULE OF NET CASH RESOURCES**

**NOT APPLICABLE**

**HOPATCONG BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 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 Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	102	-	102	-	-	-	102	-	102	-	-	-	-	-	-	-
1st Grade	107	-	107	-	-	-	107	-	107	-	-	-	-	-	-	-
2nd Grade	123	-	123	-	-	-	123	-	123	-	-	-	-	-	-	-
3rd Grade	106	-	106	-	-	-	106	-	106	-	-	-	-	-	-	-
4th Grade	102	-	102	-	-	-	102	-	102	-	-	-	-	-	-	-
5th Grade	93	-	93	-	-	-	93	-	93	-	-	-	-	-	-	-
6th Grade	83	-	83	-	-	-	83	-	83	-	-	-	-	-	-	-
7th Grade	89	-	89	-	-	-	89	-	89	-	-	-	-	-	-	-
8th Grade	81	-	81	-	-	-	81	-	81	-	-	-	-	-	-	-
9th Grade	78	-	78	-	-	-	78	-	78	-	-	-	-	-	-	-
10th Grade	78	-	78	-	-	-	78	-	78	-	-	-	-	-	-	-
11th Grade	87	-	87	-	-	-	87	-	87	-	-	-	-	-	-	-
12th Grade	92	-	92	-	-	-	92	-	92	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>1,221</b>	<b>-</b>	<b>1,221</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,221</b>	<b>-</b>	<b>1,221</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	138	-	138	-	-	-	57	-	57	-	-	-	1	1	1	-
Spec Ed - Middle School	86	-	86	-	-	-	86	-	86	-	-	-	5	4	4	-
Spec Ed - High School	123	-	123	-	-	-	123	-	123	-	-	-	14	12	12	-
<b>Subtotal</b>	<b>347</b>	<b>-</b>	<b>347</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266</b>	<b>-</b>	<b>266</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>17</b>	<b>17</b>	<b>-</b>
<b>Totals</b>	<b>1,568</b>	<b>-</b>	<b>1,568</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,487</b>	<b>-</b>	<b>1,487</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>17</b>	<b>17</b>	<b>-</b>
<b>Percentage Error</b>					<u>0.00%</u>	<u>0.00%</u>										<u>0.00%</u>

**HOPATCONG BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 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 Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	22	22	-	3	3	-	1	1	-	1	1	-
1st Grade	34	34	-	5	5	-	4	4	-	3	3	-
2nd Grade	40	39	1	6	5	1	1	-	1	-	1	-
3rd Grade	35	35	-	5	5	-	-	-	-	-	-	-
4th Grade	17	17	-	2	2	-	-	-	-	-	-	-
5th Grade	24	24	-	3	3	-	-	-	-	-	-	-
6th Grade	16	16	-	2	2	-	-	-	-	-	-	-
7th Grade	23	23	-	3	3	-	-	-	-	-	-	-
8th Grade	26	26	-	4	4	-	-	-	-	-	-	-
9th Grade	23	23	-	3	3	-	-	-	-	-	-	-
10th Grade	22	22	-	3	3	-	-	-	-	-	-	-
11th Grade	25	25	-	3	3	-	1	1	-	1	1	-
12th Grade	23	23	-	3	3	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>330</b>	<b>329</b>	<b>1</b>	<b>45</b>	<b>44</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>1</b>
Spec Ed - Elementary	56	56	-	8	8	-	1	1	-	1	1	-
Spec Ed - Middle School	30	29	1	4	4	-	-	-	-	-	-	-
Spec Ed - High School	47	46	1	6	6	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>133</b>	<b>131</b>	<b>2</b>	<b>18</b>	<b>18</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Totals</b>	<b>463</b>	<b>460</b>	<b>3</b>	<b>63</b>	<b>62</b>	<b>1</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>7</b>	<b>6</b>	<b>1</b>
Percentage Error			<u>0.65%</u>			<u>1.59%</u>			<u>12.50%</u>			<u>14.29%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	431	431	-	45	45	-
Transported - Non-Public	87	87	-	9	9	-
Regular - Spec.	71	71	-	8	8	-
Special Needs - Public	29	29	-	3	3	-
<b>Totals</b>	<b>618</b>	<b>618</b>	<b>-</b>	<b>65</b>	<b>65</b>	<b>-</b>
			<u>0.00%</u>			<u>0.00%</u>

**HOPATCONG BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 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 Preschool (3 Yrs)	-	-	-	-	-	-
Full Day Preschool (3 Yrs)	-	-	-	-	-	-
Half Day Preschool (4 Yrs)	-	-	-	-	-	-
Full Day Preschool (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-
1st Grade	1	1	-	1	1	-
2nd Grade	2	3	(1)	1	1	-
3rd Grade	-	-	-	-	-	-
4th Grade	1	1	-	1	1	-
5th Grade	1	1	-	1	1	-
6th Grade	1	1	-	1	1	-
7th Grade	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-
9th Grade	1	1	-	1	1	-
10th Grade	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-
<b>Subtotal</b>	<u>7</u>	<u>8</u>	<u>(1)</u>	<u>6</u>	<u>6</u>	<u>-</u>
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	1	1	-	1	1	-
Spec Ed - High School	-	-	-	-	-	-
<b>Subtotal</b>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
<b>Totals</b>	<u><u>8</u></u>	<u><u>9</u></u>	<u><u>(1)</u></u>	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>-12.50%</u></u>			<u><u>0.00%</u></u>

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

**SECTION 1A - Two Percent (2%) - Calculation of Excess**

2016-2017 Total General Fund Expenditures per the CAFR	\$ 40,771,004
Decreased by:	
On-Behalf TPAF Pension & Social Security	4,102,633
Adjusted 2016-2017 General Fund Expenditures	\$ 36,668,371
2% of Adjusted 2016-2017 General Fund Expenditures	\$ 733,367
Increased by:	
Allowable Adjustment *	12,840
Maximum Unassigned Fund Balance	\$ 746,207

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 4,830,728
Decreased by:	
Nonspendable Fund Balance - Prepaid Item	\$ 18,196
Other Restricted Fund Balance - Capital Reserve	1,088,005
Other Restricted Fund Balance - Maintenance Reserve	331,541
Other Restricted Fund Balance - Emergency Reserve	50,000
Other Restricted Fund Balance - Excess Surplus - Designated for Subsequent Year's Expenditures	1,162,748
Designated for Subsequent Year's Expenditures	17,258
Assigned - Reserve for Encumbrances	613,613
	3,281,361
Total Unassigned Fund Balance	\$ 1,549,367
Restricted Fund Balance - Excess Surplus	\$ 803,160

**Recapitulation of Excess Surplus as of June 30, 2017**

Excess Surplus - Designed for Subsequent Year's Budget	\$ 1,162,748
Excess Surplus	803,160
	\$ 1,965,908

**\* Detail of Allowable Adjustments**

Additional Nonpublic School Transportation Aid	\$ 12,840
Total Adjustments	\$ 12,840



**HOPATCONG BOARD OF EDUCATION  
RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

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

It is recommended that:

1. Continued efforts be made to ensure all expenses are charged to the proper budget account in accordance with The Uniform Minimum Chart of Accounts for New Jersey Public Schools.
2. Internal controls over financial reporting be reviewed and enhanced to ensure cash balances reflected on the monthly Board Secretary and Treasurer's Reports are in agreement.
3. Expenditures should not be incurred until budget transfers that require approval of the Executive County Superintendent receive such approval.
4. The Payroll Agency account be reconciled on a monthly basis.
5. The Treasurer's Report should contain all Board accounts, as required and the various bank reconciliation contain only valid reconciling items.
6. A payroll deduction ledger be implemented to account for the District's payroll withholding liabilities.
7. The checks issued by the District contain three signatures as required by NJSA 18A:19-1.

**III. School Purchasing Program**

It is recommended that:

- \* 1. Bids and/or quotations be obtained whenever a purchase exceeds the limit set forth by the Public School Contracts Law.
- \* 2. Political Contribution Disclosure Forms be on file when required.
- \* 3. All contracts/purchases in excess of the bid threshold made under State contract and cooperative purchasing contracts be approved by Board resolution.
- \* 4. State contract and cooperative agreements vendor files be maintained, supporting and documenting information related to the applicable cooperative purchases and state contracts utilized by the District.

**IV. School Food Services**

There are none.

**V. Transportation Services Program**

It is recommended that all supporting documentation for payments to Transportation Services vendors be made available for audit and agree to approved contracts.

**VI. Day Plus Program**

There are none.

**HOPATCONG BOARD OF EDUCATION  
RECOMMENDATIONS  
(Continued)**

**VII. Student Body Activities**

It is recommended that:

- \* 1. Proper supporting documentation for all student activity receipts and disbursements be maintained and available for audit.
- \* 2. Prenumbered receipts should be utilized for all accounts and include the proper composition of the deposit (checks vs. cash).
- \* 3. Expenses should only be for student activity or athletic related expenses.
- \* 4. All checks issued should contain at least two authorization signatures.
- \* 5. Outstanding checks should be reviewed and cleared of record.
- \* 6. Bank reconciliations contain only valid reconciling items.
- 7. Scholarships awarded should have sufficient funds available and should not be processed through the High School student activity fund.
- 8. Checks issued from the High School account be issued in sequential order.
- 9. Efforts be made to limit the reimbursements paid to individuals.

**VIII. Application for State School Aid**

There are none.

**IX. Pupil Transportation**

There are none.

**X. Facilities and Capital Assets**

It is recommended that all current year additions and prior year adjustments be properly reflected in the district's capital asset inventory.

**XI. Miscellaneous**

There are none.

**XII. Status of Prior Years' Audit Findings/Recommendations**

A review was performed on all prior years' recommendations and corrective action was taken on all except the items denoted with an asterisk (\*).

**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