

**HOPATCONG BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**HOPATCONG BOARD OF EDUCATION
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Report of Independent Auditor	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-6
School Purchasing Programs	6-7
School Food Service	7-8
Day Plus Program	8
Preschool Program	8
Student Body Activity	8-9
Application for State School Aid	9
Pupil Transportation	9-10
Facilities and Capital Assets	10
Suggestions to Management	10
Schedule of Meal County Activity	11
Schedule of Net Cash Resources – (Food Services Fund)	12
Schedule of Audited Enrollments	13-15
Excess Surplus Calculation	16
Recommendations	17-19
Acknowledgement	19



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
KATHLEEN WANG, CPA
ROBERT AMPONSAH, CPA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA

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, 2015, and have issued our report thereon dated December 10, 2015.

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
December 10, 2015

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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>
Thomas Lambe	Business Administrator/ Board Secretary (7/1/14-10/12/14)	\$300,000
Jim Minkewicz	Business Administrator/ Board Secretary (10/13/14-6/30/15)	300,000
Damaris Gurowsky	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

Finding – Our audit noted that certain purchase orders and/or supporting documentation were not available for audit.

Recommendation – All purchase orders and supporting documentation be retained and available for audit.

Finding – Our audit revealed that, in certain instances, goods and/or services were ordered prior to the issuance of an approved purchase order. In addition, the purchase orders did not always have the approval date imprinted on the form.

Recommendation – Internal control procedures over purchasing be enhanced to ensure goods and/or services are ordered only after the issuance of an approved requisition and dated purchase order.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Examination of Claims (Continued)

Finding – Our audit revealed that in certain instances the receiving copy of the purchase order certifying the proper receipt of goods/services was not available for audit.

Recommendation – All purchase orders contain a receipt of goods/services certification prior to payment.

Finding – Our audit revealed that 1099 tax forms were not consistently issued to non-incorporated vendors who were paid in excess of \$600 during the year.

Recommendation – All non-incorporated vendors paid in excess of \$600 annually be issued a tax form 1099.

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 – During our audit it was noted that the District misclassified the Director of Special Services' salary to Child Study Team – Salaries of Other Professional Staff. The salary should be charged as an administrative salary to School Administration – Salaries of Other Professional Staff. In addition, it was noted that a certain Resource Room teacher's salary was misclassified to Grades 6-8 Salaries of Teachers (CAFR Finding 2015-007).

Recommendation – Expenditures be classified and charged to the appropriate budget line accounts in accordance with the State's Uniform Minimum Chart of Accounts for New Jersey Public Schools and New Jersey Administrative Code.

Finding – With respect to travel and expense reimbursements, our audit noted the following:
(CAFR Finding 2015-006)

- There were several instances when a purpose or relevance form was not attached to the purchase order.
- There were certain instances where a travel and expense reimbursement purchase order was not available for audit or had insufficient supporting documentation.

Recommendation – Internal controls over travel and expense reimbursements be reviewed and enhanced.

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.

HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 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 reviewed 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 – Our audit of the general ledger account balances revealed numerous adjusting journal entries were required to reconcile the Board records to agree with subsidiary records and supporting documentation. We noted certain instances where receipt, revenue and budget account charges were misclassified. (CAFR Finding 2015-001)

Recommendation – Internal controls over financial accounting and reporting procedures be reviewed and enhanced to ensure financial transactions are properly recorded and reported in the District's internal accounting records.

Finding – Our audit revealed that certain budgetary line items were overexpended and budget appropriation transfers were not always approved in a timely manner. (CAFR Finding 2015-004)

Recommendation – Budget appropriation transfers be submitted to the Board for approval on a timely basis to ensure line items are not overexpended.

Finding – The Board converted to a different accounting software program during the 2014/15 year. Our audit revealed that during the conversion process, numerous errors were made in entering the data from the previous system to certain budgetary revenue and expense accounts as well as general ledger accounts in the new system. (CAFR Finding 2015-002)

Recommendation – Internal procedures over financial accounting and reporting procedures be reviewed and enhanced to ensure Board personnel are reviewing financial data reported in the District's accounting records to ensure proper postings and classifications of financial transactions.

Finding – The audit indicated there exists various interfund balances as of June 30, 2015 as a result of various financial transactions not reported in the proper fund.

Recommendation – All interfund balances be cleared of record.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

Finding – The audit of the District's compensated absences report of June 30, 2015 indicated numerous instances where the number of sick days available utilized in the calculation did not agree to the employee's attendance records.

Recommendation – Greater care be taken when preparing the year end liability for compensated absences to ensure the number of sick days available agree to employee's attendance records.

Treasurer's Records

The Treasurer did perform cash reconciliations for all accounts required.

All cash receipts were promptly deposited.

Finding – Our audit of the Treasurer's Report and bank reconciliations revealed the following (CAFR Finding 2015-003):

- There were numerous inter-account reconciling items on the various bank reconciliations that were not in agreement.
- There were two instances of duplicate checks reported on the outstanding check list of the operating account bank reconciliation.
- The transactions of the Day Plus account, although reconciled, were not on the Treasurer's Report summary page.

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, III, VI and V 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.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects (Continued)

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. 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

Finding - The reimbursement to the State for the amount of the expenditures charged to the current year's Final Report(s) 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 subsequent to the end of the 60 day grant liquidation period required by the Office of Grants Management and also subsequent to the 90 days required by *N.J.S.A. 18A:66-90*. Accordingly, the expenditure was not in accordance with State law (90 days).

Recommendation: The district should adopt internal control procedures designed to ensure that reimbursement of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are properly reported in the current year's Final Reports for all federal awards and are encouraged to remit payment within the 60 day grant liquidation period and/or certainly within the statutory 90 day liquidation period.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 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 \$26,000 (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 \$18,300. The Board has designated the School Business Administrator as the 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.

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

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 – Our audit noted the following with regards to compliance with the Public School Contracts Law (CAFR Finding 2015-005).

- There were five instances where the District was unable to provide proof that quotes were obtained.
- There was one instance where a Business Registration Form and seven instances where a Political Contribution Disclosure Form was not on file.
- There were three instances where a contract was not approved by resolution in the minutes.

Recommendation –

- Quotations be obtained whenever a purchase exceeds the limit per the Public School Contracts Law.
- Business Registration and Political Contribution Disclosure Forms be on file when required.
- All contracts be approved by resolution when required.

School Food Service

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.

Net cash resources did not exceed three months average expenditures.

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 196-4.1. 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 return a profit of at least \$25,000. According to the FSMC, the District's lack of participation in the National School Lunch Commodities Program absolved them guaranteeing the profit indicated in the contract.

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.

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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all school food services employees authorized by the board of education.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Food Service (Continued)

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.

Finding – Our audit noted that the District did not participate in the U.S.D.A. Commodities Program and therefore, did not realize any federal aid available from this program. In addition, because of the District’s lack of participation, the food service management company did not honor the guarantee included in the 2014/15 contract.

Recommendation – The District should maximize its participation in the U.S.D.A. Commodities Program.

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.

Day Plus Program

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

Preschool Program

Finding – Our audit of the Preschool Enterprise Fund revealed that the District did not maintain a general ledger for the fund nor were the financial transactions being posted through the Board Secretary’s accounting software system.

Recommendation – All transactions of the Preschool Enterprise Fund be properly posted to the Board Secretary’s financial ledgers and the subsidiary records be reconciled to the general ledger on a monthly basis.

Student Body Activity

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

Finding – Our audit of the Student Activity Funds revealed the following:

- Durban Ave School
 - o Prenumbered receipts are not utilized.
 - o The checks contain only one signature.

- High School
 - o The account reconciliation contained erroneous reconciling items.
 - o Pre-numbered receipts were not utilized.
 - o Separate sub accounts for individual activities are not maintained.
 - o There was several instances where an expenditure had no or insufficient supporting documentation.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Student Body Activity (Continued)

Finding (Continued)

- Athletic Account
 - o Prenumbered receipts are not utilized.
 - o Checks issued contain only one authorization signature.
 - o Several outstanding checks are greater than one year old and should be reviewed and cleared of record.
 - o Several disbursements did not have proper supporting documentation.
 - o It appears that many purchases made from the athletic account should be accounted for in the Board's purchasing/budget process such as sports/fitness equipment, purchased services and fitness maintenance agreements. There is insufficient evidence to support the District's claim these are paid for by fundraising activities.
 - o There are several expenses for fundraising (golf outing, sweatshirt sales, cheesecake sales) that have no supporting evidence that the revenue generated from such fundraising matches the cost of the event.
 - o The balance of the manual ledger by activity does not agree to the bank reconciliation.

Recommendation:

- o Proper supporting documentation for all student activity receipts and disbursements should be maintained and available for audit.
- o Prenumbered receipts should be utilized for all accounts and include the proper composition of the deposit (checks vs. cash)
- o Expenses should only be for student activity or athletic related expenses.
- o All checks issued should contain at least two authorization signatures.
- o Outstanding checks should be reviewed and cleared of record.
- o Bank reconciliations contain only valid reconciling items.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 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 2014-2015 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 with immaterial exceptions.

**HOPATCONG BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Pupil Transportation (Continued)

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:

- An encumbrance for the purchase of two buses was added to the capital asset inventory report.
- Certain expenditures charged to capital outlay in the budget did not appear to be for capital related items.

Recommendation – Internal controls over the expenditure classification and reporting of capital assets be reviewed and enhanced.

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, 2015**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals/Milks Category</u>	<u>Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Amount</u>
National School Lunch							
(Regular Rate)	Paid	87,275	87,275	87,275			
	Reduced	19,330	19,330	19,330			
	Free	<u>35,644</u>	<u>35,644</u>	<u>35,644</u>			
	Total Lunch	<u>142,249</u>	<u>142,249</u>	<u>142,249</u>			
National School Breakfast							
(Regular Rate)	Paid	3,188	3,188	3,188			
	Reduced	827	827	827			
	Free	<u>5,180</u>	<u>5,180</u>	<u>5,180</u>			
	Total Breakfast	<u>9,195</u>	<u>9,195</u>	<u>9,195</u>			
	Grand Totals	<u>151,444</u>	<u>151,444</u>	<u>151,444</u>			

NET CASH RESOURCE SCHEDULE

HOPATCONG BOARD OF EDUCATION

Net cash resources did not exceed three months of expenditures

Proprietary Funds - Food Service

FYE 2015

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	(17,632)
B-4		Due from Other Gov'ts	19,540
B-4		Accounts Receivable	-
B-4		Investments	-
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(7,552)
B-4		Less Accruals	-
B-4		Less Due to Other Funds	-
B-4		Less Deferred Revenue	-
		Net Cash Resources	<u><u>(5,644)</u></u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	645,457	
B-5	Less Depreciation	<u>(13,943)</u>	
		Adj. Tot. Oper. Exp.	<u><u>631,514</u></u> (B)

Average Monthly Operating Expense:

B / 10 63,151 (C)

Three times monthly Average:

3 X C 189,454 (D)

TOTAL IN BOX A	\$	(5,644)	
LESS TOTAL IN BOX D	\$	<u>189,454</u>	
NET	\$	<u><u>(195,098)</u></u>	
From above:			
A is greater than D, cash exceeds 3 X average monthly operating expenses.			
D is greater than A, cash does not exceed 3 X average monthly operating expenses.			

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

**HOPATCONG BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2014**

	2015-2016 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 Veri- cation	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Verified	Sample Errors
Half Day Preschool - 3 years					-	-					-	-				
Half Day Preschool - 4 years					-	-					-	-				
Half Day Kindergarten					-	-					-	-				
Full Day Kindergarten	123		123		-	-	123		123		-	-				
1st Grade	114		114		-	-	114		114		-	-				
2nd Grade	114		114		-	-	114		114		-	-				
3rd Grade	95		95		-	-	95		95		-	-				
4th Grade	79		79		-	-	79		80		(1)	-				
5th Grade	97		97		-	-	97		97		-	-				
6th Grade	79		79		-	-	79		79		-	-				
7th Grade	91		91		-	-	91		91		-	-				
8th Grade	98		98		-	-	98		98		-	-				
9th Grade	86		86		-	-	86		87		(1)	-				
10th Grade	93		93		-	-	93		93		-	-				
11th Grade	114		114		-	-	114		114		-	-				
12th Grade	128		128		-	-	128		128		-	-				
Subtotal	1,311	-	1,311	-	-	-	1,311	-	1,313	-	(2)	-	-	-	-	-
Spec Ed - Elementary	144		144		-	-	144		143		1	-	2	2	2	-
Spec Ed - Middle School	84		84		-	-	84		84		-	-	5	4	4	-
Spec Ed - High School	130		130		-	-	130		129		1	-	11	10	10	-
Subtotal	358	-	358	-	-	-	358	-	356	-	2	-	18	16	16	-
Totals	1,669	-	1,669	-	-	-	1,669	-	1,669	-	-	-	18	16	16	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<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 15, 2014**

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	33	33	-	14	14	-	4	4	-	3	3	-
1st Grade	36	36	-	16	15	1	4	4	-	3	3	-
2nd Grade	19	19	-	8	8	-	2	2	-	3	3	-
3rd Grade	18	18	-	8	8	-	2	2	-	2	2	-
4th Grade	13	13	-	6	6	-	-	-	-	-	-	-
5th Grade	17	17	-	7	7	-	-	-	-	-	-	-
6th Grade	22	22	-	9	9	-	1	1	-	-	-	-
7th Grade	21	21	-	9	8	1	-	-	-	-	-	-
8th Grade	32	32	-	14	14	-	-	-	-	-	-	-
9th Grade	20	20	-	9	9	-	-	-	-	-	-	-
10th Grade	27	27	-	12	12	-	1	1	-	1	1	-
11th Grade	29	29	-	12	12	-	1	1	-	1	1	-
12th Grade	31	31	-	13	13	-	-	-	-	-	-	-
Subtotal	318	318	-	137	135	2	15	15	-	13	13	-
Spec Ed - Elementary	47	47	-	20	20	-	-	-	-	-	-	-
Spec Ed - Middle School	42	42	-	18	18	-	-	-	-	-	-	-
Spec Ed - High School	52	52	-	22	21	1	1	1	-	1	1	-
Subtotal	141	141	-	60	59	1	1	1	-	1	1	-
Totals	459	459	-	197	194	3	16	16	-	14	14	-
Percentage Error			<u>0.00%</u>			<u>1.52%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	468	468	-	157	154	3
Transported - Non-Public	108	108	-	36	36	-
Regular - Spec.	88	88	-	29	30	(1)
Special Needs - Public	29	29	-	10	12	(2)
Totals	693	693	-	232	232	-
			<u>0.00%</u>			<u>0.00%</u>

**HOPATCONG BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2014**

	LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten			-			-
1st Grade			-			-
2nd Grade			-			-
3rd Grade			-			-
4th Grade			-			-
5th Grade			-			-
6th Grade			-			-
7th Grade			-			-
8th Grade			-			-
9th Grade			-			-
10th Grade	1	1	-	1	1	-
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><u>1</u></u>	<u><u>1</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>0.00%</u></u>			<u><u>0.00%</u></u>

**HOPATCONG BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

2014-2015 Total General Fund Expenditures per the CAFR	\$ 37,258,920
Decreased by:	
Assets Acquired Under Capital Leases	93,156
On-Behalf TPAF Pension & Social Security	<u>3,173,496</u>
 Adjusted 2014-2015 General Fund Expenditures	 <u>\$ 33,992,268</u>
 2% of Adjusted 2014-2015 General Fund Expenditures	 \$ 679,845
Increased by:	
Allowable Adjustment *	<u>20,149</u>
 Maximum Unassigned Fund Balance	 <u>\$ 699,994</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 5,329,093
Decreased by:	
Year-End Encumbrances	\$ 1,669,039
Nonspendable Fund Balance - Prepaid Item	25,855
Other Restricted Fund Balance - Capital Reserve	1,225,200
Other Restricted Fund Balance - Maintenance Reserve	331,541
Other Restricted Fund Balance - Emergency Reserve	50,000
Assigned - ARRA/SEMI	18,095
Assigned - Designated for Subsequent Year's Expenditures	<u>610,851</u>
	<u>3,930,581</u>
 Total Unassigned Fund Balance	 <u>\$ 1,398,512</u>
 Restricted Fund Balance - Excess Surplus	 <u>\$ 698,518</u>
 * <u>Detail of Allowable Adjustments</u>	
Additional Nonpublic School Transportation Aid	<u>\$ 20,149</u>
 Total Adjustments	 <u>\$ 20,149</u>

**HOPATCONG BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

- * 1. All purchase orders and supporting documentation be retained and available for audit.
- * 2. Internal control procedures over purchasing be enhanced to ensure goods and/or services are ordered only after the issuance of an approved requisition and dated purchase order.
- * 3. All purchase orders contain a receipt of goods/services certification prior to payment.
- * 4. All non-incorporated vendors paid in excess of \$600 annually be issued a tax form 1099.
- 5. Salary expenditures be classified and charged to the appropriate budget line accounts in accordance with the State's Uniform Minimum Chart of Accounts for New Jersey Public Schools and New Jersey Administrative Code.
- * 6. Internal controls over travel and expense reimbursements be reviewed and enhanced.
- * 7. Internal controls over financial accounting and reporting procedures be reviewed and enhanced to ensure financial transactions are properly recorded and reported in the District's internal accounting records.
- * 8. Budget appropriation transfers be submitted to the Board for approval on a timely basis to ensure line items are not overexpended.
- 9. Internal procedures over financial accounting and reporting procedures be reviewed and enhanced to ensure Board personnel are reviewing financial data reported in the District's accounting records to ensure proper postings and classifications of financial transactions.
- 10. All interfund balances be cleared of record.
- 11. Greater care be taken when preparing the year end liability for compensated absences to ensure the number of sick days available agree to employee's attendance records.
- 12. The Treasurer's Report should contain all Board accounts as required and the various bank reconciliations contain only valid reconciling items.
- 13. The district should adopt internal control procedures designed to ensure that reimbursement of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are properly reported in the current year's Final Report(s) for all federal awards and are encouraged to remit payment within the 60 day grant liquidation period and/or certainly within the statutory 90 day liquidation period.

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

III. School Purchasing Program

It is recommended that:

1. Quotations be obtained whenever a purchase exceeds the limit per the Public School Contracts Law.
2. Business Registration and Political Contribution Disclosure Forms be on file when required.
3. All contracts be approved by resolution when required.

IV. School Food Services

It is recommended that the District should maximize its participation in the U.S.D.A. Commodities Program.

V. Day Plus Program

There are none.

VI. Preschool Program

It is recommended that all transactions of the Preschool Enterprise Fund be properly posted to the Board Secretary's financial ledgers and the subsidiary records be reconciled to the general ledger on a monthly basis.

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 be utilized for all accounts and include the proper composition of the deposit (checks vs. cash).
- * 3. Expenses only be for student activity or athletic related expenses.
- * 4. All checks issued contain at least two authorization signatures.
- * 5. Outstanding checks should be reviewed and cleared of record.
- * 6. Bank reconciliations contain only valid reconciling items.

VIII. Application for State School Aid

There are none.

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

IX. Pupil Transportation

There are none.

X. Facilities and Capital Assets

It is recommended that internal controls over the expenditure classification and reporting of capital assets be reviewed and enhanced.

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