

WATCHUNG BOROUGH SCHOOL DISTRICT

# Schools receive positive audit report

By ERIC HOSTETTLER  
STAFF WRITER

**WATCHUNG** – The grades K-8 school district is in solid financial position.

Valerie Dolan, an auditor with auditing firm Nisivocchia, attended the Board of Education's Wednesday, Dec. 13, meeting to present the results of the district's 2016-17 school year audit, in which she made only two "very minor" recommendations for the district to address.

The items are to be addressed this fiscal year through a corrective action plan.

"One of the recommendations addresses one bank account which is a flex bank account," said Dolan. "We did not find an actual, formal bank reconciliation prepared. We've advised the district at this point to go back, month by month, to prepare that.

"The other one is in the area of student activities. What we've seen is that the student activity funds have good suggestions and good guidelines for any money received at any official school events. This money is not received by your business, therefore it's received by someone else and it needs to make its way into your bank account. Two business days is a good rule of thumb and we're finding that some of those funds are much longer than a two-day window, so we're just tightening that a bit so that timeline is closer to two days."

Dolan said that the situation is a common one as teachers may collect money from students for some type of event, but they get tied up with something and the money sits in a drawer or somewhere else "unsecured" for a period of time.

Other than the two recommendations, Dolan said the district is in a "reasonable position" with the year coming to a close. After breaking down her entire, near-100-page report to the board, Dolan went over the status of various district funds.

The district ended the year with a balance of \$3,007,925 across several funds, according to Dolan.

"That money is now in various funds, including \$1.8 million in capital reserve," said Dolan. "That money is a capital reserve that can be appropriated by the district to pay for any type capital expenditures the district might incur for any improvements. You also have \$365,000 in your maintenance reserve fund. That money is used to offset and is brought into your budget as maintenance costs so anything that your maintenance department may do that was unplanned

or unforeseen like sidewalks or something that needs to be fixed, you can appropriate from this fund.

"You have about \$85,000 that you've appropriated of that \$3 million to support the budget that you're in, along with an additional \$125,000. So those two numbers are what's in the budget that are being spent right now. You have \$143,000 that the state decided you are required to put into your 2018-19 budget as well."

Dolan said the district is left with approximately \$400,000 in "unreserved, unaccounted funds."

"That's all the state allows you to hold," said Dolan. "The state allows you to hold 2 percent of your expenditures, so that's your rainy day fund. So really, in a nutshell, most of your money is set aside for some type of long-term expense."

Board member Thomas Sicola asked Dolan to clarify the \$3 million figure, as he didn't want

there to be any confusion about how that money can be used.

"The school district has \$3 million, yes," Dolan replied, "but the school district also has \$2.1 million earmarked for capital items only. Really, you're looking at \$3 million, but \$2 million of it is earmarked to take care of your building, so there's not a whole lot. Take the reserves out of the mix and you're really holding \$1 million and of that money, you're using it to support your budget."

Dolan said most of the money is there to ensure that the school's buildings are "protected" in case of an emergency situation like Hurricane Sandy.

The board unanimously approved the corrective action plan later in the meeting, working to establish a "flexible bank account" so that bank reconciliation is prepared monthly, and ensuring that all student activity collections be deposited within 48 hours of receipt.