

*Auditor's Management Report*

*for the*

*Borough of Alpine  
School District*

*in the*

*County of Bergen  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2016*



**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE  
FINDINGS-FINANCIAL AND COMPLIANCE**

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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Borough of Alpine  
County of Bergen  
Alpine, New Jersey 07620

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Borough of Alpine School District in the County of Bergen, New Jersey for the year ended June 30, 2016, and have issued our report dated October 31, 2016.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Alpine School District, County of Bergen, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
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CERTIFIED PUBLIC ACCOUNTANTS

  
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PUBLIC SCHOOL ACCOUNTANT NO. 948

October 31, 2016

**Independent Auditor's Management Report of Administrative Findings - Financial and Compliance**

**Scope of Audit**

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

**Administrative Practices and Procedures**

**Insurance**

Insurance coverage was carried in the amounts as detailed in the District's CAFR.

**Official Bonds**

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Marilyn Hayward	Treasurer of School Monies	\$160,000.00
Dan Hauser	Board Secretary/School Business Administrator	85,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Payroll Accounts**

The net salaries of all employees of the District were deposited in the Net 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 President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to proper agencies, including health benefit premium amounts withheld due to the general fund.

**2016-01 Finding:** An analysis of the balance on account in the Payroll Agency account was not maintained.

**2016-01 Recommendation:** That an analysis of the balance on account in the Payroll Agency account be maintained.

**Independent Auditor's Management Report of Administrative Findings - Financial and Compliance**

**Position Control Roster**

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

**2016-02 Finding:** An inquiry and subsequent review of the Position Control Roster found inconsistencies between the payroll records, the general ledger accounts to where wages are posted, and the Position Control Roster.

**2016-02 Recommendation:** The board should establish internal control procedures to ensure that an annual or more frequent review of the Position Control Roster is performed to ensure proper and consistent financial reporting.

**Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, 2016 for proper classification of orders as reserve for encumbrances and accounts payable.

**Unemployment Compensation Insurance Trust Fund**

The District has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(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 testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.2. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to the test the propriety of expenditure classification.

**Board Secretary's Records**

The financial records, books of account and minutes of the Board Secretary were maintained in satisfactory condition and the contractual order system was fully implemented.

**2016-03 Finding:** We noted that the County Special Services Tuition state aid deduction was not recorded as a revenue and expense on the Districts accounting records. The Financial Statements were adjusted to properly reflect the revenues and expenses related to the state aid deduction.

**2016-03 Recommendation:** That the District record all state aid deductions on its accounting records.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**Treasurer's Records**

The records maintained by the Treasurer of School Monies were in agreement with the records maintained by the Board Secretary/School Business Administrator.

**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. 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 II, Part B, 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 Schedule A and Schedule B 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 bimonthly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

The amount of the expenditure charged to the current year's Final 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 prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. Minor overpayment to the State of New Jersey was noted and the District has already received a full refund of the overpayment.



**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertisement for Bids**

**N.J.S.A. 18A:18A-3 States:**

"a. When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$26,000.00, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971 c. 198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$36,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A.18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law.

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00 or up to \$40,000.00 if the entity has a Qualified Purchasing Agent. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,300.00.

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 solicitor's opinion should be sought before a commitment is made.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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.

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

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

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

**School Food Service**

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis.

The number of half pints claimed for reimbursement was verified against sales and milk count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were timely filed, and milks claimed agreed with milk count records. There were no applications for free or reduced price milk.

Expenditures were separately recorded as milk, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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 Board is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash Resources did not exceed three month average expenditures.

Exhibits reflecting Child Nutrition Program operations are included in the Exhibits B-3, B-4, and B-5.

**Independent Auditor's Management Report of Administrative  
Findings - Financial and Compliance**

**Application For State School Aid**

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with a minor exception. The information that was included on the workpapers was verified no 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 written procedures for the recording of student enrollment data.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with a minor exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

**FOLLOW-UP ON PRIOR YEAR'S FINDINGS**

In accordance with Government Auditing Standards, our procedures included a review of status of prior year audit recommendations. Corrective action has been taken on all prior year findings.

**Independent Auditor's Management Report of Administrative Findings - Financial and Compliance**

**RECOMMENDATIONS**

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**2016-01** That an analysis of the balance on account in the Payroll Agency account be maintained.

**2016-02** That the board should establish internal control procedures to ensure that an annual or more frequent review of the Position Control Roster is performed to ensure proper and consistent financial reporting

**2016-03** That the District record all state aid deductions on its accounting records.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Status of Prior Year's Findings/Recommendations

In accordance with Government Auditing Standards, our procedures included a review of status of prior year audit recommendations. Corrective action has been taken on all prior year findings.



**ALPINE SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	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 LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten			0			0						
One			0			0						
Two			0			0						
Three			0			0						
Four			0			0						
Five			0			0						
Six			0			0						
Seven			0			0						
Eight			0			0						
Nine			0			0						
Ten			0			0						
Eleven			0			0						
Twelve			0			0						
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed - Elementary			0	0		0			0			
Special Ed - Middle			0	0		0			0			
Special Ed - High			0	0		0			0			
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec												
Totals	0	0	0	0	0	0	0	0	0	0	0	0
Percentage Error			0.00%			0.00%			0.00%			0.00%

	<u>Transportation</u>						Reported	Recalculated
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools	59	59	0	39	39	0		
Non Public Trans	1	1	0	1	1	0		
Reg. Spec. Ed., col. 4			0			0		
Special Ed Spec. col. 6	14	14	0	10	10	0		
ALL, col. 7	36	36	0	25	25	0		
Totals	110	110	0	75	75	0		
Percentage Error						0.00%		
							5.4	5.4
							5.4	5.4
							6.4	6.4

Reg Avg (Mileage) = Regular Including Grade PK students (Part A)  
Reg Avg (Mileage) = Regular Excluding Grade PK students (Part B)  
Spec Avg. = Special Ed with Special Needs

**Alpine BOARD OF EDUCATION**

**SCHEDULE OF AUDITED ENROLLMENTS**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool			-			-
Full Day Preschool			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten			-			-
One			-			-
Two			-			-
Three	2	2	-	1	1	-
Four			-			-
Five			-			-
Six	1	1	-	1	1	-
Seven			-			-
Eight	1	1	-	1	1	-
Nine			-			-
Ten			-			-
Eleven			-			-
Twelve			-			-
Post-Graduate			-			-
Adult H.S. (15+CR.)			-			-
Adult H.S. (1-14 CR.)			-			-
Subtotal	<u>4</u>	<u>4</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>
Special Ed - Elementary			-			-
Special Ed - Middle			-			-
Special Ed - High			-			-
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular			-			-
Co. Voc. Ft. Post Sec.			-			-
Totals	<u>4</u>	<u>4</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>
Percentage Error			<u>0.00%</u>	(e)		<u>0.00%</u>

**BOROUGH OF ALPINE SCHOOL DISTRICT**  
**SCHEDULE OF CALCULATION OF EXCESS SURPLUS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section 1- 2% Calculation of Excess Surplus**

2015-16 General Fund Expenditures per the CAFR (Exhibit C-1)		\$	6,456,708.61
Increased by:			
Transfer from Capital Reserve to Capital Projects Fund	\$	<u>237,000.00</u>	
			<u>237,000.00</u>
			6,693,708.61
Decreased by:			
On-Behalf TPAF Pension and Social Security	\$	<u>463,073.57</u>	
			<u>463,073.57</u>
Adjusted 2015-16 General Fund Expenditures			<u>\$ 6,230,635.04</u>
2% of Adjusted 2015-16 General Fund Expenditures			<u>\$ 124,612.70</u>
Greater of 2% or \$250,000	\$	250,000.00	
Increased by: Allowable Adjustment		<u>5,568.00</u>	
Maximum Unreserved/Undesignated Fund Balance			<u>\$ 255,568.00</u>

**Section 2**

Total General Fund Balances at June 30, 2016 (Exhibit C-1)		\$	742,905.07
Decreased by:			
Reserved for Encumbrances	\$	22,514.97	
Other Restricted Fund Balances		<u>464,822.10</u>	
			<u>487,337.07</u>
Total Unassigned Fund Balance			<u>\$ 255,568.00</u>

**Detail of Allowable Adjustments:**

Additional Non-Public School Transportation Aid		\$	5,568.00
			<u>\$ 5,568.00</u>

**Detail of Other Restricted Fund Balances:**

Capital Reserve		\$	414,822.10
Emergency Reserve			<u>50,000.00</u>
			<u>\$ 464,822.10</u>



