

HASBROUCK HEIGHTS SCHOOL DISTRICT

COUNTY OF BERGEN

NEW JERSEY

AUDITORS' MANAGEMENT REPORT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

FISCAL YEAR ENDED

JUNE 30, 2016

**HASBROUCK HEIGHTS SCHOOL DISTRICT
COUNTY OF BERGEN
NEW JERSEY**

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

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REPORT OF INDEPENDENT AUDITORS'

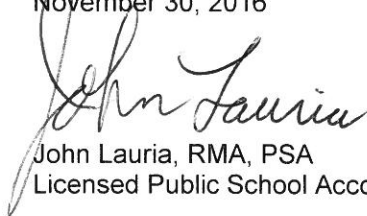
**Honorable President and Members
of the Board of Education
Borough of Hasbrouck Heights School District
County of Bergen, New Jersey 07095**

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Borough of Hasbrouck Heights School District in the County of Bergen for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016.

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

This report is intended for the information of the Borough of Hasbrouck Heights Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Livingston, New Jersey
November 30, 2016


John Lauria, RMA, PSA
Licensed Public School Accountant #208700

HASBROUCK HEIGHTS SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dina Messery	Board Secretary	\$ 25,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the proper adjustments to the billings to sending districts which properly reflected per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

Electronic Communications

The board has a policy concerning Electronic Communications Between Employees and Students.

Financial Planning, Accounting and Reporting

Examination of Claims

The State purchase order system is fully operational in that purchase orders are issued for the financial transactions of the Board.

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation except as noted below:

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Chief School Administrator and were certified by the President of the Board and Board Secretary/School Business Administrator.

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

HASBROUCK HEIGHTS SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Reserve for Encumbrances and Accounts Payable

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

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23A-16.2(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.3*. As a result of the procedures performed, no transaction error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of accounts and minutes maintained by the Secretary were in excellent condition.

The Treasurer's records were examined and were found to be in agreement with the records of the Secretary.

Elementary and Secondary Education Act (E.S.E.A.), Improving America's Schools Act (I.A.S.A.) 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 and VI of the Elementary and Secondary Education Act, as amended. There were no areas of non-compliance and/or questioned costs.

HASBROUCK HEIGHTS SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B of this report.

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 contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

There were no areas of non-compliance and/or questioned costs.

TPAF Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Plan. No exceptions were noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report 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 April 17, 2000, N.J.S.A. 18A:18A (Public School Contracts Law) was revised by P.L.1999,c.440 (originally known as Assembly Bill No. 3519). Rules and regulations pertaining to the amended law are to be promulgated by the Division of Local Government Services, with consultation from the Commissioner of Education.

N.J.S.A. 18A:18A-3 is amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in the contract year the total sum of \$17,500, 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 therefore, 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. (pending before the Legislature as section 15 of this bill) 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. 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.18A:18A-2(pending before the Legislature as section 50 of this bill), and shall round the adjustment to the nearest \$1,000. 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 the year in which it is made.

c.

HASBROUCK HEIGHTS SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

School Purchasing Programs (continued)

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. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S.A. 18A:18A-4 (as amended) states, "Every contract or agreement 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 therefore, except as is provided otherwise in this chapter or specifically by any other law.

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 \$40,000 (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 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.

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-4.

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

Within the state budgeting structure and general ledger accounting system, payments are not accumulated for 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 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 the school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions noted.

HASBROUCK HEIGHTS SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Miscellaneous

Make comment on continuing disclosure

Student Activity and Athletic Funds

A cash receipts and disbursements records were maintained in very good condition.

All receipts appear to be promptly deposited in the bank.

Payment authorizations, invoices and other supporting data were presented and available for audit.

Application for State School Aid

Our audit procedures included a test of the information reported in the October 15, 2015, Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. 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 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 without 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.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. Based on our review, the District complied with these procedures.

Follow-Up on Prior Year's Findings

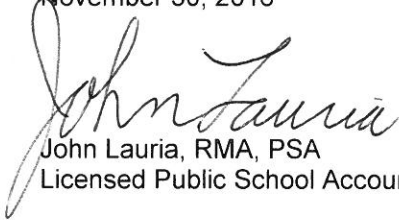
The minutes indicate that the Report on the Examination of Accounts for the 2015-2016 fiscal year was reviewed by the Board, a synopsis thereof distributed at a public meeting and public discussion held.

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

Acknowledgement

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Livingston, New Jersey
November 30, 2016

A handwritten signature in cursive script that reads "John Lauria". The signature is written in black ink and is positioned above the printed name and title.

John Lauria, RMA, PSA
Licensed Public School Accountant #208700

**HASBROUCK HEIGHTS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

SCHEDULE OF AUDITED ENROLLMENTS

	Low Income			Sample for Verification		
	Reported on A.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	17	17	0	9	9	0
Full Day Preschool	16	16	0	9	9	0
Half Day Kindergarten	16	16	0	12	12	0
Full Day Kindergarten	25	25	0	14	14	0
One	24	24	0	12	12	0
Two	15	15	0	6	6	0
Three	24	24	0	15	15	0
Four	19	19	0	12	12	0
Five	20	20	0	13	13	0
Six	18	18	0	11	11	0
Seven	19	19	0	11	11	0
Eight	33	33	0	20	20	0
Nine	12	12	0	9	9	0
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	258	258	0	153	153	0
Special Ed - Elementary	25	25	0	11	11	0
Special Ed - Middle School	17	17	0	8	8	0
Special Ed - High School	11	11	0	7	7	0
Sent to CSSD						
Subtotal	53	53	0	26	26	0
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	311	311	0	179	179	0
Percentage Error			0.00%	(e)		0.00%

Transportation						
	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	48	48	0	36	36	0
Transported - Special						
Special Needs - Public	46	46	0	34	34	0
Special Needs - Private	94	94	0	70	70	0
Totals				(f)		
Percentage Error			0.00%			0.00%

EXCESS SURPLUS CALCULATION

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR	\$ 31,845,395	
Increased by:		
Transfer to Food Service Fund		
Transfer from Capital Outlay to Capital Projects Fund		
Decreased by:		
On-Behalf of TPAF Pension and Social Security	2,976,758	
Assets Acquired Under Capital Leases	<u>72,000</u>	
Adjusted 2015-16 General Fund Expenditures	<u>\$ 28,796,637</u>	
2% of Adjusted 2015-16 General Fund Expenditures	\$ 575,933	
Increased by: Allowable Adjustment	<u>321,105</u>	
Maximum Unassigned Fund Balance		\$ 897,038
Total General Fund - Fund Balance at June 30, 2016	\$ 2,514,682	
Decreased by:		
Year End Encumbrances	300,264	
Excess Surplus - Designated for Subsequent Year's Expenditures		
Other Reserved Fund Balances	1,543,510	
Assigned - Designated for Subsequent's Year's Expenditures	<u>200,000</u>	
Total Unassigned Fund Balance		<u>470,908</u>
Restricted Fund Balance - Excess Surplus		<u>\$ (426,130)</u>

Recapitulation of Excess Surplus as of June 30, 2016

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 200,000	
Reserved Excess Surplus		
Total		<u>\$ 200,000</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 321,105	
Additional Nonpublic School Transportation Aid		
Total Adjustments		<u>\$ 321,105</u>

Detail of Other Reserved Fund Balance

Reserve for Tuition		
Maintenance Reserve	\$ 184,504	
Capital Reserve		
		<u>1,359,006</u>
		<u>\$ 1,543,510</u>