

**BOARD OF EDUCATION
BOROUGH OF BERLIN
COUNTY OF CAMDEN**

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

INVERSO & STEWART
Marlton, New Jersey

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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

The Honorable President and
Members of the Board of Education
Berlin Borough School District
Berlin, New Jersey

I 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 Berlin Borough School District, in the County of Camden for the year ended June 30, 2017, and have issued my report thereon dated October 12, 2017.

As part of my audit, I 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 Berlin Borough Board of Education and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Public School Accountant

October 12, 2017

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the activities of the Board of Education, and 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 Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Frank J. Domin, Jr.	Board Secretary/School Business Administrator	\$ 210,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the School Alliance Insurance Fund covering all other employees with multiple coverage of \$100,000.

Tuition Charges

The proper increase adjustments were made by the Board of Education to be in compliance with N.J.A.C. 6:23A-3.1(f)3.

Unemployment Compensation Insurance Fund

Effective January 1, 2011 the Board of Education converted from direct reimbursement method to the contribution method. The Unemployment Compensation Insurance Fund (Exhibit H-2) was established under the direct reimbursement method and is included in the fiduciary trust fund. This fund will remain to pay claims existing claims under the direct reimbursement method.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under audit did not indicate any discrepancies with respect to signatures, certifications or supporting documentation.

Financial Planning, Accounting and Reporting (Continued)

Payroll Account

The net salaries of all employees of the District 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 Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator and the Chief School Administrator.

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

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators to the NJ Department of Treasury was filed by the March 15 due date.

The Payroll Account records were maintained in satisfactory condition.

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. My review did not indicate any material discrepancies to the classification of orders.

Obligations of Federal Grant Awards and Requests for Reimbursement of Expenditures against those Federal Grant Awards

No exceptions were noted during my examination of obligations of federal grant awards and requests for reimbursement of expenditures against those federal grant awards made during the period under audit.

Travel

No exceptions were noted in my study of compliance for travel expenses.

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 my test of transactions of randomly selected expenditure items. I also reviewed the coding of all expenditures included in my compliance and single audit testing procedures. In addition to randomly selecting a test sample, my sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.2*. My review did not indicate any material discrepancies with respect to classification of expenditures.

Board Secretary/School Business Administrator's Records

The financial and accounting records of the Board Secretary/School Business Administrator's office were maintained in good condition. The cash reconciliation reports prepared by the Coordinator of Business Operations and Transportation were maintained in good condition.

Elementary and Secondary Education Act of 1965 (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as reauthorized by the No Child Left Behind Act of 2001 (N.C.L.B.)

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 Titles I and IIA of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for E.S.E.A./NCLB did not indicate any exceptions.

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.

My 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.

The study of compliance for special projects indicated no areas of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

My audit procedures included a test of the biweekly reimbursements 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 to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports for all federal awards for the school to reimburse the state for the TPAF/FICA payments made by the State on be-half of the school district for those employees whose salaries are identified as being paid from federal funds were 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 and no exceptions were noted.

Nonpublic State Aid

The study of compliance for nonpublic state aid indicated no areas of noncompliance and/or questionable costs.

School Purchasing Programs

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 \$18,800.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in a violation of the statute, the solicitor's opinion should be sought before a commitment is made.

School Purchasing Programs (Continued)

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising of bids in accordance with the provision of N.J.S.A.18A:18A-4.

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

School Food Service

For the fiscal year ended June 30, 2017, the School District expended less than \$100,000 in federal and/or state funds for its Child Nutrition Program.

Student Body Activities

The financial records for the Student Activity Fund were maintained in satisfactory condition.

Community Education and Recreation

The financial records for the Community Education and Recreation Fund were maintained in satisfactory condition.

Application for State School Aid

My audit procedures included a test of information reported in the October 15, 2016 Application for State School Aid (ASSA.) for on-roll, private schools for the handicapped, low-income and bilingual. I also performed a review of the School District procedures related to its completion. The information on the ASSA. was compared to the School District workpapers without exception. The information that was included as part of the workpapers was verified without exception. The results of my procedures are presented in the Schedule of Audited Enrollments.

The School District maintained workpapers on the prescribed state forms or their equivalent.

The School District has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

My 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 my procedures are presented in the Schedule of Audited Enrollments.

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

Facilities and Capital Assets

My procedures included a review of the SDA grant agreement for consistency with recording SDA revenue and awarding of contracts for eligible facilities construction. No exceptions were noted.

Testing For Lead of all Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

Follow-up on Prior Years' Findings

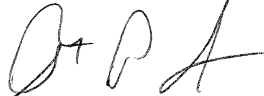
In accordance with government auditing standards, my procedures included a review of all prior year recommendations. Corrective action was taken on the prior year recommendations.

Acknowledgment

I received the complete cooperation of all the officials of the Berlin Borough School District and I greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Public School Accountant

October 12, 2017

SCHEDULE OF AUDITED ENROLLMENTS

Berlin Borough School District
Application for State School Aid Summary
Enrollment as of October 15, 2016

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on ASSA On Roll		Reported on Workpapers On Roll		Errors		Sample Selected From Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on ASSA as Private Schools	Sample for Verifi- cation	Sample Varified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Pre K - 3 year old	2		2					2		2						
Half Day Pre K - 4 year old	7		7					7		7						
Full Day K	67		67					67		67						
One	82		82					82		82						
Two	82		82					82		82						
Three	65		65					65		65						
Four	99		99					99		99						
Five	75		75					75		75						
Six	86		86					86		86						
Seven	78		78					78		78						
Eight	66		66					66		66						
Subtotal	709		709					709		709						
SpEd Elementary	68		68					68		68			1	1	1	
SpEd Middle School	42		42					42		42						
Subtotal	110		110					110		110			1	1	1	
Totals	819		819					819		819			1	1	1	
Percentage Error					0.00%	0.00%						0.00%	0.00%		0.00%	0.00%

Schedule of Audited Enrollments

Berlin Borough School District

Application for State School Aid Summary

Enrollment as of October 15, 2016

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA 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 Pre K						
Full Day K						
One						
Two	2	2		2	2	
Three						
Four	1	1		1	1	
Five						
Six	1	1		1	1	
Seven						
Eight						
Subtotal	<u>4</u>	<u>4</u>		<u>4</u>	<u>4</u>	
SpEd Elementary						
SpEd Middle School						
Subtotal						
Totals	<u>4</u>	<u>4</u>		<u>4</u>	<u>4</u>	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

Schedule of Audited Enrollments

Berlin Borough School District

Application for State School Aid Summary

Enrollment as of October 15, 2016

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>	<u>Reported on ASSA as LEP Low Income</u>	<u>Reported on Workpapers as LEP Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Half Day Pre K	-	1	(1)	1	1							
Full Day K	9	9		9	9							
One	14	14		14	14							
Two	11	11		11	11		2	2		2	2	
Three	6	6		6	6							
Four	23	23		23	23		1	1		1	1	
Five	13	12	1	12	12							
Six	11	11		11	11		1	1		1	1	
Seven	16	16		16	16							
Eight	12	12		12	12							
	<u>115</u>	<u>115</u>		<u>115</u>	<u>115</u>		<u>4</u>	<u>4</u>		<u>4</u>	<u>4</u>	
SpEd Elementary	17	17		17	17							
SpEd Middle School	14	14		14	14							
Subtotal	<u>31</u>	<u>31</u>		<u>31</u>	<u>31</u>							
Totals	<u>146</u>	<u>146</u>		<u>146</u>	<u>146</u>		<u>4</u>	<u>4</u>		<u>4</u>	<u>4</u>	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>
<u>Transportation</u>												
	<u>Reported on DRTRS by DOE</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>				<u>Reported</u>	<u>Recalculated</u>	
Reg. Public School , col. 1	307	307		307	307					2.7	2.7	
Reg. Special Education, col. 4	2	2		2	2					2.7	2.7	
Transported-Non-Public, col. 2	9	9		9	9					2.4	2.4	
Special Needs, Col. 6	18	18		18	18							
	<u>336</u>	<u>336</u>		<u>336</u>	<u>336</u>							
Percentage Error			<u>0.00%</u>			<u>0.00%</u>						

BERLIN BOROUGH SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

SECTION 1 - Regular Districts

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex C-1	\$ <u>11,888,381</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ (1,443,054)	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)+(B2s)]	\$ <u>10,445,327</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ <u>208,907</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u>	(B5)
Increased by: Allowable Adjustment	\$ <u>1,392</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$ <u><u>251,392</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,373,618</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ _____	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>160,039</u>	(C3)
Other Restricted Fund Balances	\$ <u>798,989</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>1,044</u>	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	\$ _____	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$ <u><u>413,546</u></u> (U1)

BERLIN BOROUGH SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

SECTION 3 - All Districts

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE ENTER -0- \$ 162,154 (E)

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>160,039</u>	(C3)
Reserved Excess Surplus [(E)]	\$ <u>162,154</u>	(E)
 Total [(C3) + (E)]	 \$ <u>322,193</u>	 (D)

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ <u>1,392</u>	(J2)
Current Year School Bus Advertising Revenue	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 \$ <u>1,392</u>	 (K)

Detail of Other Restricted Fund Balance

Statutory restrictions:		
Approved unspent separate proposal	\$ _____	
Sale/lease-back reserve	\$ _____	
Capital reserve	\$ <u>648,989</u>	
Maintenance reserve	\$ <u>150,000</u>	
Emergency reserve	\$ _____	
Tuition reserve	\$ _____	
School Bus Advertising 50% Fuel Offset Reserve - current year	\$ _____	
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$ _____	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____	
Other state/government mandated reserves	\$ _____	
 Other Restricted Fund Balance not noted above	 \$ _____	
 Total Other Restricted Fund Balance	 \$ <u>798,989</u>	 (C4)

AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2017

Recommendations:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
None
3. School Purchasing Programs
None
4. School Food Service
None
5. Student Body Activities
None
6. Community Education and Recreation
None
7. Application for State School Aid
None
8. Pupil Transportation
None
9. Facilities and Capital Assets
None
10. Miscellaneous
None
11. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.