

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF
BOROUGH OF PALISADES PARK
COUNTY OF BERGEN, NEW JERSEY
JUNE 30, 2017**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Borough of Palisades Park School District
County of Bergen, 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 Board of Education of the Borough of Palisades Park School District in the County of Bergen for the year ended June 30, 2017, and have issued our report thereon dated October 13, 2017.

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 Palisades Park 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.

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October 13, 2017

**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

GENERAL COMMENTS

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and 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

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20 of the District's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Paul Stabile	Business Administrator	\$250,000
Diane Montemurro	Board Secretary	\$125,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made proper adjustments to the billings to sending districts for the changes in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims submitted for payment for the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

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.

Financial Planning, Accounting and Reporting, (continued)

Payroll Account, (continued)

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

Salary withholdings were promptly remitted to the proper agencies, including health benefit premiums amounts withheld due to the General Fund.

Finding 2017-01: W-4's for various employees were not available for review.

Recommendation: The District review employee personnel files to ensure all proper payroll withholding documentation is maintained for all employees.

Finding 2017-02: A review of employee health benefits related deductions and enrollments revealed that there were errors made concerning enrollments, discontinuation of benefits and health benefit deduction calculations.

Recommendation: District personnel review all health benefits deduction calculations to ensure they are correct and controls be implemented to ensure that all new enrollments and discontinuation of benefits changes be made in a more timely manner.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

The Board of Education made a merit bonus payment for which a quantitative merit criterion or a qualitative merit criterion had been satisfied and with prior approval by the District Board of Education and Executive County Superintendent, as required by N.J.A.C. 6A:23A-3.1(e)10.iv.

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.

***Finding 2017-03:** An inquiry and subsequent review of the Position Control Roster found inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

***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 and that employee benefits are offered only to current employees and their eligible relations.

Financial Planning, Accounting and Reporting, (continued)

Reserve for Encumbrances, Liability for 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-8.2. As a result of the procedures performed, a transaction error rate of .29% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

***Finding 2017-04:** During our test of transactions, it was noted that the District, in some instances, misclassified expenditures for general expense purchases as Fixed Assets – Capital Outlay and some Fixed Assets – Capital Outlay as general expense purchases.

***Recommendation:** The District should reference the *Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2015 Edition* and other available reference materials, such as the Budget Guidelines, for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

Board Secretary's Records

The Board Secretary's records were found to be in good condition.

Fixed Assets

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Elementary and Secondary School Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001 (NCLB)

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, Title II, and Title III of the Elementary and Secondary School Improvement Act as amended.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

Finding 2017-05: Expenditures reported through the Electronic Web-Enabled Grant system were not in agreement with District records.

Recommendation: The District report actual expenditures incurred through the EWEG system to ensure proper reimbursement is requested and received.

Financial Planning, Accounting and Reporting, (continued)

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 of the aforementioned special projects.

The study of compliance for the special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the 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 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 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

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term 'competitive contracting', which is defined as "the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received." Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a "Qualified Purchasing Agent" (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

School Purchasing Programs, (continued)

Contracts and Agreements Requiring Advertisement for Bids, (continued)

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted."

Effective July 1, 2015 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 Agency) 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 contract 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 provision of N.J.S.A. 18A:18A-4, amended.

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

Finding 2017-06: The District did not obtain at least two competitive quotations for an expenditure which was less than the bid threshold but more than 15% of that amount.

Recommendation: A minimum of two competitive quotes be obtained for all purchases in excess of the quote threshold and less than the bid threshold as required by the Public School Contract Law N.J.S.A. 18A:18A-3(b) & N.J.S.A. 18A:18A-37(a).

Finding 2017-07: Not all professional service contracts were awarded via resolution.

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

Finding 2017-08: Documents required for the award of professional service contracts, such as political disclosure forms, stockholder disclosure certifications and business entity disclosure forms, were not available for review.

Recommendation: The District should maintain all of the required documents for "Professional Services" as required by N.J.S.A. 19:44A-20.26.

School Food Service

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

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes 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 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Finding 2017-09/CAFR 2017-01: A number of exceptions were noted regarding free and reduced price meal applications. Some applications were not properly completed or were missing and some applications were placed in the incorrect category. The resulting overclaim/underclaim has been identified by the auditor on the federal and/or state Schedules of Meal Count Activity.

Recommendation: The free and reduced price meal applications should be properly completed and available for review and properly classified as free or reduced and categorized appropriately on the District's Master Eligibility List.

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced meals claimed as served was compared to the number of valid applications or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced meal policy is uniformly administered throughout the School System.

Expenditures were separately recorded for food purchases, 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 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 months average expenditures.

U.S.D.A. commodities were received and a separate inventory was maintained on a first in, first out basis. No exceptions were noted.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

School Food Service, (continued)

The statement of revenues, expenses and changes in net position (CAFR schedule B-5) does separate program and non-program revenues and program and non-program cost of goods sold.

Exhibits reflecting child nutrition program operations are included in the section entitled Enterprise Funds, Section G of the Comprehensive Annual Financial Report.

After School Child Care

The Board operates an After School Child Care program for Palisades Park residents. The operations of the program were reviewed and no exceptions were noted.

Student Body Activities

Cash receipts and disbursement records are maintained in satisfactory condition.

Cash disbursement had proper signatures and supporting documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2016 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 with exception. The information that was included on the workpapers was verified with 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 written procedures for the recording of student enrollment data.

Finding 2017-10: There were several instances in which students were classified as Reduced on the Master List, however, a review of the approved lunch application indicated the student should be classified as Free.

Recommendation: A periodic review of the Master List to approved applications be made to ensure accuracy.

Pupil Transportation

Our audit 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. The results of our procedures are presented in the Schedule of Audited Enrollments.

Pupil Transportation, (continued)

Our procedures 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.

Status of Prior Year Audit Findings/Recommendations

A review was performed on all prior year recommendations and corrective action had been taken on all prior year findings with the exception of those marked with an “*”.

Suggestions to Management:

- A review of old, outstanding checks in the District's accounts be performed and a resolution cancelling these checks be approved, if necessary.
- Percentage allocations for the copier leases be reviewed to ensure that charges are being allocated correctly and charged to the correct budget account.
- The District should ensure that all signed and executed tuition contracts are kept on file.

Acknowledgment

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.

Respectfully submitted,

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SCHEDULE OF MEAL COUNT ACTIVITY

**BOROUGH OF PALISADE PARK SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - FEDERAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	24,414	24,414	24,618	(204)	0.300	\$ (61)
National School Lunch (Regular Rate)	Reduced	4,819	4,819	4,309	510	2.760	1,408
National School Lunch (Regular Rate)	Free	<u>27,366</u>	<u>27,366</u>	<u>27,672</u>	<u>(306)</u>	3.160	<u>(967)</u>
	Total	<u>56,599</u>	<u>56,599</u>	<u>56,599</u>			<u>379</u>
National School Lunch (Healthy Hunger-Free Kids Act)	HHFKA	<u>56,599</u>	<u>56,599</u>	<u>56,599</u>		0.06	
School Breakfast (Severe Needs Rate)	Paid	1,656	1,656	1,656		0.29	
	Reduced	780	780	780		1.74	
	Free	<u>5,913</u>	<u>5,913</u>	<u>5,913</u>		2.04	
	Total	<u>8,349</u>	<u>8,349</u>	<u>8,349</u>			
Total (Over)/Under Claim							\$ <u>379</u>

SCHEDULE OF MEAL COUNT ACTIVITY

**BOROUGH OF PALISADE PARK SCHOOL DISTRICT
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - STATE
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
State Reimbursement - National School Lunch (Regular Rate)	Paid	24,414	24,414	24,618	204	0.040	\$ 8
State Reimbursement - National School Lunch (Regular Rate)	Reduced	4,819	4,819	4,309	(510)	0.055	(28)
State Reimbursement - National School Lunch (Regular Rate)	Free	<u>27,366</u>	<u>27,366</u>	<u>27,672</u>	<u>306</u>	0.055	<u>17</u>
	Total	<u>56,599</u>	<u>56,599</u>	<u>56,599</u>	<u> </u>		<u>(3)</u>
Total (Over)/Under Claim							\$ <u><u>(3)</u></u>

NET CASH RESOURCE SCHEDULE

PALISADES PARK BOARD OF EDUCATION

Net cash resources did not exceed three months of expenditures Proprietary Funds - Food Service FYE 2017

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 117,692
B-4		Due from Other Gov'ts	28,211
B-4		Accounts Receivable	3,702
B-4		Investments	
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(68,543)
B-4		Less Accruals	
B-4		Less Due to Other Funds	
B-4		Less Deferred Revenue	_____
		Net Cash Resources	<u>\$ 81,062</u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	813,135	
B-5	Less Depreciation	(3,833)	
	Adj. Tot. Oper. Exp.	<u>\$ 809,302</u>	(B)

Average Monthly Operating Expense:

B / 10	<u>\$ 80,930</u>	(C)
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Three times monthly Average:

3 X C	<u>\$ 242,791</u>	(D)
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TOTAL IN BOX A	\$ 81,062
LESS TOTAL IN BOX D	\$ 242,791
NET	<u>\$ (161,729)</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

**BOROUGH OF PALISADES PARK SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY -
ENROLLMENT AS OF OCTOBER 15, 2016**

Enrollment Category	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on ASSA		Workpapers On Roll		Errors		Sample Workpapers		Verified per Registers On Roll		Errors		Reported on ASSA as Schools	Sample for Verification	Verified	Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	5		5				5		5							
Full Day Preschool	22		22				22		22							
Full Day Kindergarten	154		154				154		154							
One	137		137				137		137							
Two	136		136				136		136							
Three	138		138				138		138							
Four	114		114				114		114							
Five	101		101				101		101							
Six	106		106				106		106							
Seven	104		104				104		104							
Eight	93		93				93		93							
Nineth	112		112				112		112							
Tenth	95		95				95		95							
Eleventh	102		102				102		102							
Twelfth	88		88				88		88							
Subtotal	1,507		1,507				1,507		1,507							
Special Ed. Elementary	105		105				65		65			4	3	3		
Special Ed. Middle	26		26				16		16			3	3	3		
Special Ed. High School	39		39				24		24			11	9	9		
Subtotal	170		170				105		105			18	15	15		
Totals	1,677		1,677				1,612		1,612			18	15	15		
Percentage Error																

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

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

Year ended June 30, 2017

Enrollment category	Low Income		Sample for Verification			Resident LEP Low Income		Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on workpapers as Low Income	Sample selected from workpapers	Verified to Application and Register	Errors	Reported on A.S.S.A as LEP low Income	Reported on Workpapers LEP low Income	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Half Day Kindergarten/Preschool	61	61	18	17	1	29	29	18	18	
One	63	63	19	18	1	12	12	7	7	
Two	61	61	18	18		13	13	8	8	
Three	68	68	21	19	2	19	19	12	12	
Four	47	47	14	14		17	17	11	11	
Five	50	50	15	14	1	5	5	3	3	
Six	50	50	15	14	1	8	8	5	4	1
Seven	46	46	14	12	2	5	5	3	3	
Eight	47	47	14	13	1	6	6	4	3	1
Ninth	58	58	18	18		23	23	14	11	3
Tenth	49	49	15	15		26	26	16	15	1
Eleventh	42	42	13	13		12	12	7	5	2
Twelfth	45	45	14	13	1	6	6	4	4	
Special Ed. Elementary	51	51	15	14	1	1	1	1	1	
Special Ed. Middle School	13	13	4	3	1					
Special Ed. High School	17	17	5	5		182	182	113	105	8
Totals	768	768	232	220	12	182	182	113	105	8
Percentage					5%					8%

Category	Transportation			Re-calc.
	Reported on DTRS by DOE/county	Reported on DTRS by District	Errors	
Regular - Public Schools, col. 1	63	63	48	5.5
Transported Non-Public				6.4
Special needs, col. 6	17	17	15	
Totals	80	80	63	
Percentage				

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2016**

Year ended June 30, 2017

Enrollment category	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.A as LEP Not low Income	Reported on Workpapers LEP Not low Income	Errors	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Full Day Kindergarten	26	26		18	16	2
One	13	13		9	9	
Two	9	9		6	5	1
Three	9	9		6	6	
Four	7	7		5	4	1
Five	4	4		3	3	
Six	3	3		2	1	1
Seven	3	3		2	2	
Eight	7	7		4	3	1
Ninth	10	10		7	7	
Tenth	9	9		6	6	
Eleventh	6	6		4	3	1
Twelfth	2	2		1	1	
Special Ed. Elementary	1	1		1	1	
Special Ed. Middle School						
Special Ed. High School						
	<u>109</u>	<u>109</u>		<u>74</u>	<u>67</u>	<u>7</u>
	<u>109</u>	<u>109</u>		<u>74</u>	<u>67</u>	<u>7</u>
Percentage						<u>10%</u>

**PALISADES PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>26,700,755</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$	<u> </u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u> </u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$	<u> </u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$	<u> </u>	(B1d)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>2,926,611</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u> </u>	(B2b)
Adjusted 16-17 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$	<u>23,774,144</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$	<u>475,483</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>475,483</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u>76,093</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	<u>551,576</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1))	\$	<u>3,163,448</u>	(C)
Decreased by:			
Year-end Encumbrances	\$	<u>508,035</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$	<u> </u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>481,824</u>	(C3)
Other Restricted Fund Balances****	\$	<u>1,093,353</u>	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	\$	<u> </u>	(C5)
Additional Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	\$	<u> </u>	(C6)*****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$	<u>1,080,236</u>	(U1)

PALISADES PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 528,660 (E)

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>481,824</u>	(C3)
Reserved Excess Surplus ***[(E)]	\$	<u>528,660</u>	(E)
Total [(C3) + (E)]	\$	<u><u>1,010,484</u></u>	(D)

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
- (H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid
- Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$	<u> </u>	(H)
Sale & Lease-back	\$	<u> </u>	(I)
Extraordinary Aid	\$	<u>76,093</u>	(J1)
Additional Nonpublic School Transportation Aid	\$	<u> </u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$	<u> </u>	(J3)
Family Crisis Transportation Aid	\$	<u> </u>	(J4)
 Total Adjustments [(H)+{I)+(J1)+(J2)+(J3)+(J4)]	 \$	 <u>76,093</u>	 (K)

** This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2017 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

***** Increase in Assigned Fund Balance - Unreserved-Designated for Subsequent Year's expenditures July 1, 2017 to August 1, 2017 resulting from decrease in state aid after adoption of 2017-18 district budget.

**PALISADES PARK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION**

Detail of Other Reserved Fund Balance

Statutory restrictions:		
Approved unspent separate proposal	\$	_____
Sale/Lease-back reserve	\$	_____
Capital Reserve	\$	1,093,353
Maintenance Reserve	\$	_____
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 reserve	\$	_____
[Other Restricted Fund Balance not noted above]****	\$	_____
 Total Other Restricted Fund Balance	 \$	 1,093,353 (C4)

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2017-01: W-4's for various employees were not available for review.

Recommendation: The District review employee personnel files to ensure all proper payroll withholding documentation is maintained for all employees.

Finding 2017-02: A review of employee health benefits related deductions and enrollments revealed that there were errors made concerning enrollments, discontinuation of benefits and health benefit deduction calculations.

Recommendation: District personnel review all health benefits deduction calculations to ensure they are correct and controls be implemented to ensure that all new enrollments and discontinuation of benefits changes be made in a more timely manner.

***Finding 2017-03:** An inquiry and subsequent review of the Position Control Roster found inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

***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 and that employee benefits are offered only to current employees and their eligible relations.

***Finding 2017-04:** During our test of transactions, it was noted that the District, in some instances, misclassified expenditures for general expense purchases as Fixed Assets – Capital Outlay and some Fixed Assets – Capital Outlay as general expense purchases.

***Recommendation:** The District should reference the *Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2015 Edition* and other available reference materials, such as the Budget Guidelines, for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

2. Financial Planning, Accounting and Reporting, (continued)

Finding 2017-05: Expenditures reported through the Electronic Web-Enabled Grant system were not in agreement with District records.

Recommendation: The District report actual expenditures incurred through the EWEG system to ensure proper reimbursement is requested and received.

3. School Purchasing Programs

Finding 2017-06: The District did not obtain at least two competitive quotations for an expenditure which was less than the bid threshold but more than 15% of that amount.

Recommendation: A minimum of two competitive quotes be obtained for all purchases in excess of the quote threshold and less than the bid threshold as required by the Public School Contract Law N.J.S.A. 18A:18A-3(b) & N.J.S.A. 18A:18A-37(a).

Finding 2017-07: Not all professional service contracts were awarded via resolution.

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

Finding 2017-08: Documents required for the award of professional service contracts, such as political disclosure forms, stockholder disclosure certifications and business entity disclosure forms, were not available for review.

Recommendation: The District should maintain all of the required documents for "Professional Services" as required by N.J.S.A. 19:44A-20.26.

4. School Food Service

Finding 2017-09/CAFR 2017-01: A number of exceptions were noted regarding free and reduced price meal applications. Some applications were not properly completed or were missing and some applications were placed in the incorrect category. The resulting overclaim/underclaim has been identified by the auditor on the federal and/or state Schedules of Meal Count Activity.

Recommendation: The free and reduced price meal applications should be properly completed and available for review and properly classified as free or reduced and categorized appropriately on the District's Master Eligibility List.

**BOROUGH OF PALISADES PARK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

5. Student Body Activities

None

6. Application for State School Aid

Finding 2017-10: There were several instances in which students were classified as Reduced on the Master List, however, a review of the approved lunch application indicated the student should be classified as Free.

Recommendation: A periodic review of the Master List to approved applications be made to ensure accuracy.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. 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 except those marked with an *.