

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, 2018*

**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, 2018, and have issued our report dated February 4, 2019.

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.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

February 4, 2019

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	\$200,000.00
Karen Johnson	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.

2018-01 Finding: An analysis of the balance on account in the Payroll Agency account was not maintained.

2018-01 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
Financial Planning, Accounting and Reporting (Continued)**

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.

2018-02 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.

2018-02 Recommendation: A more frequent review of the Position Control Roster should be 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, 2018 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:23-8.3. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

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

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

2018-03 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.

2018-03 Recommendation: That the District record all state aid deductions on its accounting records.

2018-04 Finding: The capital asset records were not updated for the additions and disposals of capital assets made during the year.

2018-04 Recommendation: The district should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

2018-05 Finding: Prior year district records were not fully adjusted to reflect audit balances, this resulted in an over-expenditure of a budgetary line account.

2018-05 Recommendation: District records should be adjusted to reflect audit balances.

Treasurer's Records

Our audit included an examination of the Treasurer of School Monies' monthly reports and bank reconciliations which were maintained in satisfactory condition.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

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.

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.

**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.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance
School Purchasing Programs (Continued)**

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 \$29,000.00 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 \$19,000.00.

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.

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.

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

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 exceed three month average expenditures, however, appropriate actions were taken in the subsequent fiscal year to correct the issue.

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

Student Body Activities

The records for the Student Body Activities were maintained in satisfactory condition.

Application For State School Aid

Our audit procedures included a test of information reported in the October 15, 2017 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.

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2017-2018 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.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

Miscellaneous

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.

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

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. The items noted on the following page with an '*' are repeat unresolved items.

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

***2018-01** That an analysis of the balance on account in the Payroll Agency account be maintained.

***2018-02** That the District review the Position Control Roster on a more frequent basis to ensure proper and consistent financial reporting.

***2018-03** That the District record all state aid deductions on its accounting records.

***2018-04** The District should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

2018-05 The District records should be adjusted to reflect audit balances.

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

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance
RECOMMENDATIONS (CONTINUED)**

9. Miscellaneous

None

10. 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. Items notated above with an '*' are repeated/unresolved findings.

ALPINE BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017

	2018-2019 Application for State School Aid						Sample for Verification						Private Schools for Disabled											
	Reported on A.S.A. On Roll			Workpapers			Errors			Sample Selected from Workpapers			Registers Verified per On Roll			Errors per Registers On Roll			Reported on A.S.A. as Private Schools					
	Full	Shared	0	Full	Shared	0	Full	Shared	0	Full	Shared	0	Full	Shared	0	Full	Shared	0	Full	Shared	0	Sample Verified	Sample Errors	
Half Day Preschool 3																								
Half Day Preschool 4																								
Half Day Kindergarten																								
Full Day Kindergarten																								
One	15			15																				
Two	20			20																				
Three	14			14																				
Four	12			12																				
Five	17			17																				
Six	19			19																				
Seven	15			15																				
Eight	10			10																				
Nine	16			16																				
Ten																								
Eleven																								
Twelve																								
Post-Graduate																								
Adult H.S. (15+CR.)																								
Adult H.S. (1-14 CR.)																								
Subtotal	138	0	138	0	0	0	123	0	123	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed - Elementary	4			4			4		4															
Special Ed - Middle School	6			6			6		6															
Special Ed - High School																								
Subtotal	10	0	10	0	0	0	10	0	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Co. Voc. - Regular																								
Co. Voc. Ft. Post Sec.																								
Totals	148	0	148	0	0	0	133	0	133	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Percentage Error							0.00%		0.00%															0.00%

ALPINE SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017

	Resident Low Income			Sample for Verification			Resident ELL Low Income			Sample for Verification		
	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	0	0	0	0	0	0	0	0	0	0	0	0
Full Day Preschool	0	0	0	0	0	0	0	0	0	0	0	0
Half Day Kindergarten	0	0	0	0	0	0	0	0	0	0	0	0
Full Day Kindergarten	0	0	0	0	0	0	0	0	0	0	0	0
One	0	0	0	0	0	0	0	0	0	0	0	0
Two	0	0	0	0	0	0	0	0	0	0	0	0
Three	0	0	0	0	0	0	0	0	0	0	0	0
Four	0	0	0	0	0	0	0	0	0	0	0	0
Five	0	0	0	0	0	0	0	0	0	0	0	0
Six	0	0	0	0	0	0	0	0	0	0	0	0
Seven	0	0	0	0	0	0	0	0	0	0	0	0
Eight	0	0	0	0	0	0	0	0	0	0	0	0
Nine	0	0	0	0	0	0	0	0	0	0	0	0
Ten	0	0	0	0	0	0	0	0	0	0	0	0
Eleven	0	0	0	0	0	0	0	0	0	0	0	0
Twelve	0	0	0	0	0	0	0	0	0	0	0	0
Post-Graduate	0	0	0	0	0	0	0	0	0	0	0	0
Adult HS (13+CR)	0	0	0	0	0	0	0	0	0	0	0	0
Adult HS (1-14 CR)	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed - Elementary	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed - Middle	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed - High	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0
Co. Voc. - Regular	0	0	0	0	0	0	0	0	0	0	0	0
Co. Voc. Ft. Post Sec.	0	0	0	0	0	0	0	0	0	0	0	0
Totals	0	0	0	0	0	0	0	0	0	0	0	0
Percentage Error	0.00%			0.00%			0.00%			0.00%		

Transportation					
Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
57	57	0	43	43	0
0	0	0	0	0	0
0	0	0	0	0	0
14	14	0	12	12	0
39	39	0	34	34	0
110	110	0	89	89	0
		0.00%		0.00%	

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		
Reported	Recalculated	Errors	Reported	Recalculated	Errors	Reported	Recalculated	Errors
5.4	5.4	0	5.4	5.4	0	5.4	5.4	0
5.4	5.4	0	5.4	5.4	0	5.4	5.4	0
6.7	6.7	0	6.7	6.7	0	6.7	6.7	0

ALPINE BOARD OF EDUCATION

SCHEDULE OF AUDITED ENROLLMENTS APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017

	Resident ELL NOT Low Income		Sample for Verification		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool		-			-
Full Day Preschool		-			-
Half Day Kindergarten		-			-
Full Day Kindergarten		-			-
One	3	3	3	3	-
Two					-
Three					-
Four					-
Five	3	3	3	3	-
Six					-
Seven					-
Eight					-
Nine					-
Ten					-
Eleven					-
Twelve					-
Post-Graduate					-
Adult H.S. (15+CR.)					-
Adult H.S. (1-14 CR.)					-
Subtotal	6	6	6	6	0
Special Ed - Elementary					-
Special Ed - Middle					-
Special Ed - High					-
Subtotal	0	0	0	0	0
Co. Voc. - Regular					-
Co. Voc. Ft. Post Sec.					-
Totals	6	6	6	6	0
Percentage Error		0.00%			0.00%

BOROUGH OF ALPINE SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section 1- 2% Calculation of Excess Surplus

2017-18 General Fund Expenditures per the CAFR (Exhibit C-1)		\$	6,887,793.50
Increased by:			
Transfer from Capital Reserve to Capital Projects Fund	\$	<u>193,200.00</u>	
			<u>193,200.00</u>
			<u>7,080,993.50</u>
Decreased by:			
On-Behalf TPAF Pension and Social Security	\$	<u>665,502.06</u>	
			<u>665,502.06</u>
Adjusted 2017-18 General Fund Expenditures		\$	<u><u>6,415,491.44</u></u>
2% of Adjusted 2017-18 General Fund Expenditures		\$	<u><u>128,309.83</u></u>
Greater of 2% or \$250,000	\$	250,000.00	
Increased by: Allowable Adjustment		<u>50,196.00</u>	
Maximum Unreserved/Undesignated Fund Balance		\$	<u><u>300,196.00</u></u>

Section 2

Total General Fund Balances at June 30, 2018 (Exhibit C-1)		\$	1,123,133.50
Decreased by:			
Reserved for Encumbrances	\$	40,860.07	
Other Restricted Fund Balances		<u>782,077.43</u>	
			<u>822,937.50</u>
Total Unassigned Fund Balance		\$	<u><u>300,196.00</u></u>

Section 3

Restricted Fund Balance- Excess Surplus		\$	<u>0.00</u>
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Detail of Allowable Adjustments:

Extraordinary Aid (Unbudgeted)		\$	38,886.00
Additional Non-Public School Transportation Aid			<u>11,310.00</u>
		\$	<u><u>50,196.00</u></u>

Detail of Other Restricted Fund Balances:

Capital Reserve		\$	732,077.43
Emergency Reserve			<u>50,000.00</u>
		\$	<u><u>782,077.43</u></u>

