

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF
CITY OF HACKENSACK
COUNTY OF BERGEN, NEW JERSEY
JUNE 30, 2018**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
City of Hackensack 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 City of Hackensack School District in the County of Bergen for the year ended June 30, 2018, and have issued our report thereon dated January 31, 2019.

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 City of Hackensack 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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January 31, 2019

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

GENERAL COMMENTS

Scope of Audit

The audit covered the financial transactions of the Interim Board Secretary/School Business Administrator, 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 of the District's CAFR.

Officials Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Adrian Pollio	Board Secretary/School Business Administrator	\$480,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs exceeded the estimated costs. The Board made a proper adjustment to the billings to sending districts for the increase in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during 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.

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

Financial Planning, Accounting and Reporting, (continued)

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 (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was filed by the March 15 due date.

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.

Employee 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 2018-001: There were instances in which the Position Control Roster was not updated with current year salaries and/or budget accounts charged.

Recommendation: More care should be taken to thoroughly update the Position Control Roster to be in compliance with N.J.A.C. 6A:23A-6.8.

Reserve for Encumbrances, Liability for Accounts Payable

Our overview of the financial and accounting records maintained by the Board Secretary disclosed the following items:

Finding 2018-002: The District did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

Recommendation: Purchase orders should be review for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year-end audit.

Financial Planning, Accounting and Reporting, (continued)

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, a transaction error rate of 0.76% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding 2018-003: Expenditures in the following categories were not charged to the appropriate line item account in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools: Required Maintenance, Food Service and Educational Media Services.

Recommendation: The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2018 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 order.

Fixed Assets

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

Finding 2018-004: The District did not implement a system for tagging their current year fixed asset additions.

Recommendation: The District should development and implement a system for tagging all fixed assets acquired, as required by N.J.A.C. 5:30-5.6.

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 I, Title II, Title III and Title IV of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questioned costs.

Financial Planning, Accounting and Reporting, (continued)

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule K-3 and Schedule K-4 located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligation and expenditures were incurred during the fiscal year or project year 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 the Special Projects indicated that there were 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.

TPAF 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 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.

Nonpublic State Aid

Project completion reports were finalized and transmitted to the State Department of Education by the due date.

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.

School Purchasing Programs, (continued)

Contracts and Agreements Requiring Advertisement for Bids, (continued)

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.

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 \$19,000.

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, goods or services, 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.

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

***Finding 2018-005:** The District did not receive political contribution disclosure forms for certain vendors prior to awarding contracts for professional services.

***Recommendation:** That the District maintain political contribution disclosures for all professional service contracts with anticipated values in excess of \$17,500 in accordance with Board Policy #6360 adopted November 2006.

School Food Service

The financial transactions and statistical records of the School Food Service Fund were reviewed. 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.

School Food Service, (continued)

The number of meals claimed for reimbursement was verified against 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.

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 return a profit of at least \$525,476. The operating results provision has been met. All vendor discounts, rebates and credits from the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

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 times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. The reviewed verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

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.

Finding 2018-006: (CAFR Finding 2018-001): Meals claimed did not agree with meal count records resulting in over/under claims, as detailed on the Schedule of Meal Count Activity.

Recommendation: Prior to submitting reimbursement claims to the New Jersey Department of Agriculture, the meals claimed should be verified to the meal count activity records and Edit Check Worksheets.

***Finding 2018-007:** The District's Net Cash resources exceeded three months average expenditures.

***Recommendation:** That the District take steps to improve the nonprofit school food service program to reduce the Net Cash Resources.

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

The Statement of Revenues, Expenses and Changes in Fund Net Position does separate program and non-program revenue and program and non-program cost of goods sold.

School Food Service, (continued)

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

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, section G of the CAFR.

Student Body Activities

During our review of the Student Activity Funds, the following items were noted:

Finding 2018-008: There were instances in which cash was withdrawn from the Middle School Bank Account rather than checks being issued to vendors.

Recommendation: Any withdrawals from the bank account should be made via check and maintain proper supporting documentation in accordance with N.J.A.C. 6A:23A-16.12.

Finding 2018-009: Not all cash receipts were promptly deposited into the High School Athletic Account. (N.J.A.C. 6A:23A-16.12)

Recommendation: All cash receipts should be promptly deposited.

Middle School Student Activity Account – “Band”

The Music Department participated in a field trip to Hershey Park. The following discrepancies were noted in regards to the subcategory “Band” within the Student Activity Account:

Finding 2018-010: The amount the students were charged to attend the field trip exceeded the actual cost of the trip.

Recommendation: Each student’s account should be analyzed and a proper refund should be prepared for the overpayments.

Finding 2018-011: Credits earned by the students from fundraiser sales to offset the cost of the trip were not allocated properly in accordance with the terms of the fundraiser.

Recommendation: More care should be taken to ensure that credits from fundraisers for field trips be applied to each student based on their participation in the fundraiser.

Finding 2018-012: The amounts raised by fundraisers and cash received from students did not agree to amounts deposited in the bank.

Recommendation: More care should be taken to ensure that all cash collections are promptly recorded and deposited into the bank in accordance with N.J.S.A. 18A:17-34.

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, 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 included as part of the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollment.

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

The District's written procedures appear to be adequate for the recording of student enrollment data.

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 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. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Finding 2018-013: The District did not obtain approval from the County Executive Superintendent of Schools for certain transportation contracts.

Recommendation: That the District obtain approval by the County Executive Superintendent of Schools for all transportation contracts.

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 did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Status of Prior Year Audit Findings/Recommendation

In accordance with Government Auditing Standards, our procedures included a review on all prior year recommendations including findings. Corrective action had been taken on all prior year findings, with the exception of the comments preceded with an "*".

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

**CITY OF HACKENSACK SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - FEDERAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<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 (High Rate)	Paid	110,237	110,237	112,193	1,956	0.330	\$ 645
National School Lunch (High Rate)	Reduced	46,040	46,040	46,629	589	2.850	1,679
National School Lunch (High Rate)	Free	<u>354,861</u>	<u>354,861</u>	<u>354,810</u>	<u>(51)</u>	3.250	<u>(166)</u>
	Total	<u>511,138</u>	<u>511,138</u>	<u>513,632</u>	<u>2,494</u>		<u>2,158</u>
	HHFKA - PB Lunch						
National School Lunch	Only	<u>511,138</u>	<u>511,138</u>	<u>513,632</u>	<u>2,494</u>	0.06	<u>150</u>
School Breakfast (Severe Needs Rate)	Paid	156,129	156,129	159,873	3,744	0.30	1,123
	Reduced	32,217	32,217	33,059	842	1.79	1,507
	Free	<u>245,351</u>	<u>245,351</u>	<u>245,402</u>	<u>51</u>	2.09	<u>107</u>
	Total	<u>433,697</u>	<u>433,697</u>	<u>438,334</u>	<u>4,637</u>		<u>2,737</u>
After School Snacks	Paid						
	Reduced						
	Free	<u>54,877</u>	<u>54,877</u>	<u>54,877</u>		0.88	
	Total	<u>54,877</u>	<u>54,877</u>	<u>54,877</u>			
Total (Over)/Under Claim							<u>\$ 5,045</u>

SCHEDULE OF MEAL COUNT ACTIVITY

**CITY OF HACKENSACK SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - STATE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<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 (High Rate)	Paid	110,237	110,237	112,193	1,956	0.050	\$ 98
State Reimbursement - National School Lunch (High Rate)	Reduced	46,040	46,040	46,629	589	0.055	32
State Reimbursement - National School Lunch (High Rate)	Free	<u>354,861</u>	<u>354,861</u>	<u>354,810</u>	<u>(51)</u>	0.055	<u>(3)</u>
	Total	<u>511,138</u>	<u>511,138</u>	<u>513,632</u>	<u>2,494</u>		<u>127</u>
Total (Over)/Under Claim							\$ <u>127</u>

**CITY OF HACKENSACK
BOARD OF EDUCATION**

**Net cash resources did exceed three months of expenditures
Proprietary Funds - Food Service
Year ended June 30, 2018**

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 695,473
B-4		Due from Other Gov'ts	436,158
B-4		Accounts Receivable	17,581
CAFR		Current Liabilities	
B-4		Less Accounts Payable	190,258
		Net Cash Resources	\$ 1,339,470 (A)
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	2,427,101
B-5		Less Depreciation	(31,172)
		Adj. Tot. Oper. Exp.	\$ 2,395,929 (B)
<u>Average Monthly Operating Expense:</u>			
		B / 10	\$ 239,593 (C)
<u>Three times monthly Average:</u>			
		3 X C	\$ 718,779 (D)

TOTAL IN BOX A	\$	1,339,470.00	
LESS TOTAL IN BOX D	\$	718,778.70	
NET	\$	620,691.30	
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

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF HACKENSACK
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2017**

Year ended June 30, 2018

Enrollment category	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled						
	Reported on A.S.S.A. On Roll		Workpapers On Roll		Errors		Selected from Workpapers		Registers Verified per On Roll		Errors per Registers On Roll		Reported on A.S.S.A as Private Schools		Sample Verification		Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool 4yrs	76		76				76												
Full Day Preschool 4 yrs	55		55				55												
Full Day Kindergarten	346		346				346												
One	301		301				301												
Two	371		371				371												
Three	353		353				353												
Four	344		344				344												
Five	317		317				317												
Six	287		287				287												
Seven	278		278				278												
Eight	284		284				284												
Ninth	410	9	410	9			410	9											
Tenth	430	6	430	6			430	6											
Eleventh	369	4	369	4			369	4											
Twelfth	402	3	402	3			402	3											
Subtotal	4,623	22	4,623	22			4,623	22											
Special Ed. Elementary	540		540				134								14		12		
Special Ed. Middle School	224		224				55								6		5		
Special Ed. High School	263	5	263	5			65								23		20		
	5,650	27	5,650	27			4,877								43		37		

Percentage

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF HACKENSACK
BOARD OF EDUCATION**

Application for State School Aid Summary
Enrollment as of October 15, 2017

Year ended June 30, 2018

Enrollment category	Resident 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	Errors	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	Errors	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Full Day Kindergarten	219	219		57	57		65	65		30	30	
One	205	205		55	55		55	55		24	24	
Two	254	254		62	62		48	48		21	21	
Three	235	235		65	65		35	35		16	16	
Four	249	249		65	65		22	22		10	10	
Five	241	241		8	8		18	18		8	8	
Six	216	216		6	6		13	13		6	6	
Seven	204	204		8	8		18	18		8	8	
Eight	208	208		6	6		12	12		6	6	
Nine	211	211		16	16		34	34		16	16	
Ten	227	227		14	14		31	31		14	14	
Eleven	175	175		10	10		21	21		10	10	
Twelve	198	198		12	12		26	26		12	12	
Special Ed. Elementary	386	386		67	67		25	25		11	11	
Special Ed. Middle School	170	170		1	1		2	2		1	1	
Special Ed. High School	181	181		2	2		4	4		2	2	
	3578	3578		454	454		429	429		195	195	
Percentage	3578	3578		454	454		429	429		195	195	

Category	Transportation			Recalculated		
	Reported on DTRTS by DOE/county	Reported on DTRTS by District	Errors	Reported	Recalculated	Errors
Regular - Public Schools, col. 1	234	234		3.40	3.40	
Regular - Special Education, col. 4	185	185		3.40	3.40	
Transported Non Public	150	150		6.10	6.10	
Special needs, col. 6	569	569				
Totals	1128	1128				
Percentage						

Avg. Mileage - Regular Excluding Grade PK
Avg. Mileage - Regular Including Grade PK
Avg. Mileage - Special Ed with Special Needs

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF HACKENSACK
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2017**

Year ended June 30, 2018

Enrollment category	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.A as NOT Low Income	Reported on Workpapers NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten	22	22		17	17	
One	8	8		6	6	
Two	13	13		10	10	
Three	7	7		5	5	
Four	5	5		4	4	
Five	2	2		2	2	
Six	2	2		2	2	
Seven						
Eight	2	2		2	2	
Nine	5	5		4	4	
Ten	6	6		5	5	
Eleven	5	5		4	4	
Twelve	4	4		3	3	
Special Ed. Elementary	5	5		4	4	
Special Ed. Middle School						
Special Ed. High School						
	<u>86</u>	<u>86</u>		<u>68</u>	<u>68</u>	
	<u>86</u>	<u>86</u>		<u>68</u>	<u>68</u>	
Percentage						

HACKENSACK BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>117,830,399</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>411,499</u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$	<u> </u>	(B1d)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>14,511,019</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u>800,000</u>	(B2b)
Adjusted 17-18 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$	<u>102,930,879</u>	(B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$	<u>2,058,618</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>2,058,618</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u>9,865</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	<u><u>2,068,483</u></u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1))	\$	<u>17,685,417</u>	(C)
Decreased by:			
Year-end Encumbrances	\$	<u>2,133,044</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$	<u> </u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>1,914,090</u>	(C3)
Other Restricted Fund Balances****	\$	<u>8,553,328</u>	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	\$	<u>65,640</u>	(C5)
Additional Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	\$	<u> </u>	(C6)*****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$	<u><u>5,019,315</u></u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 2,950,832 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>1,914,090</u> (C3)
Reserved Excess Surplus ***[(E)]	\$ <u>2,950,832</u> (E)
Total [(C3) + (E)]	\$ <u>4,864,922</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	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ <u>9,865</u> (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Total Adjustments [(H)+{I)+(J1)+(J2)+(J3)+(J4)]	\$ <u>9,865</u> (K)

** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2018 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, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget.

Detail of Other Reserved Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/Lease-back reserve	\$ _____
Capital Reserve	\$ <u>7,540,712</u>
Maintenance Reserve	\$ <u>1,010,306</u>
Emergency Reserve	\$ <u>2,310</u>
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	 \$ <u>8,553,328</u> (C4)

**CITY OF HACKENSACK
BOARD OF EDUCATION**

AUDIT RECOMMENDATIONS SUMMARY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2018-001: There were instances in which the Position Control Roster was not updated with current year salaries and/or budget accounts charged.

Recommendation: More care should be taken to thoroughly update the Position Control Roster to be in compliance with N.J.A.C. 6A:23A-6.8.

Finding 2018-002: The District did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

Recommendation: Purchase orders should be review for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year-end audit.

Finding 2018-003: Expenditures in the following categories were not charged to the appropriate line item account in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools: Required Maintenance, Food Service and Educational Media Services.

Recommendation: The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2018 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).

**CITY OF HACKENSACK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
(CONTINUED)**

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

Finding 2018-004: The District did not implement a system for tagging their current year fixed asset additions.

Recommendation: The District should development and implement a system for tagging all fixed assets acquired, as required by N.J.A.C. 5:30-5.6.

3. School Purchasing Programs

***Finding 2018-005:** The District did not receive political contribution disclosure forms for certain vendors prior to awarding contracts for professional services.

***Recommendation:** That the District maintain political contribution disclosures for all professional service contracts with anticipated values in excess of \$17,500 in accordance with Board Policy #6360 adopted November 2006.

4. School Food Service

Finding 2018-006: (CAFR Finding 2018-001): Meals claimed did not agree with meal count records resulting in over/under claims, as detailed on the Schedule of Meal Count Activity.

Recommendation: Prior to submitting reimbursement claims to the New Jersey Department of Agriculture, the meals claimed should be verified to the meal count activity records and Edit Check Worksheets.

***Finding 2018-007:** The District's Net Cash resources exceeded three months average expenditures.

***Recommendation:** That the District take steps to improve the nonprofit school food service program to reduce the Net Cash Resources.

5. Student Body Activities

Finding 2018-008: There were instances in which cash was withdrawn from the Middle School Bank Account rather than checks being issued to vendors.

Recommendation: Any withdrawals from the bank account should be made via check and maintain proper supporting documentation in accordance with N.J.A.C. 6A:23A-16.12.

**CITY OF HACKENSACK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
(CONTINUED)**

5. Student Body Activities, (continued)

Finding 2018-009: Not all cash receipts were promptly deposited into the High School Athletic Account. (N.J.A.C. 6A:23A-16.12)

Recommendation: All cash receipts should be promptly deposited.

Finding 2018-010: The amount the students were charged to attend the field trip exceeded the actual cost of the trip.

Recommendation: Each student's account should be analyzed and a proper refund should be prepared for the overpayments.

Finding 2018-011: Credits earned by the students from fundraiser sales to offset the cost of the trip were not allocated properly in accordance with the terms of the fundraiser.

Recommendation: More care should be taken to ensure that credits from fundraisers for field trips be applied to each student based on their participation in the fundraiser.

Finding 2018-012: The amounts raised by fundraisers and cash received from students did not agree to amounts deposited in the bank.

Recommendation: More care should be taken to ensure that all cash collections are promptly recorded and deposited into the bank in accordance with N.J.S.A. 18A:17-34.

6. Application for State School Aid

None

7. Pupil Transportation

Finding 2018-013: The District did not obtain approval from the County Executive Superintendent of Schools for certain transportation contracts.

Recommendation: That the District obtain approval by the County Executive Superintendent of Schools for all transportation contracts.

8. Facilities and Capital Assets

None

**CITY OF HACKENSACK
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY
(CONTINUED)**

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.