

BOROUGH OF DEMAREST SCHOOL DISTRICT
COUNTY OF BERGEN
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019

BOROUGH OF DEMAREST SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019
TABLE OF CONTENTS

Cover Letter	1
Scope of Audit	2
Administrative Practices and Procedures.....	2
Insurance.....	2
Officials in Office and Surety Bonds.....	2
Financial Planning, Accounting and Reporting	2
Examination of Claims.....	2
Payroll Account and Position Control Roster	2
Reserve for Encumbrances and Accounts Payable	3
Classification of General and Administrative Expenditures	3
Board Secretary’s Records	3
Treasurer’s Records	3
Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act	3
Other Special Federal and/or State Projects	3
T.P.A.F. Reimbursement.....	3
School Purchasing Programs	4
Contracts and Agreements Requiring Advertisement for Bids	4
Student Body Activities.....	5
Application for State School Aid.....	5
Pupil Transportation	5
Facilities and Capital Assets	5
Travel Expense and Reimbursement Policy	6
Testing for Lead in Drinking Water of Educational Facilities.....	6
Management Suggestions	6
Status of Prior Year’s Findings/Recommendations.....	6
Schedule of Meal Count Activity (Not Applicable)	
Schedule of Schedule of Net Cash Resources (Not Applicable)	
Schedule of Audited Enrollments.....	7-10
Excess Surplus Calculation	11-12
Summary of Recommendations	13

November 8, 2019

The Honorable President and Members
of the Board of Education
Borough of Demarest 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 financial statements of the Board of Education of the Borough of Demarest School District in the County of Bergen for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 8, 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 letter does not affect our report dated November 8, 2019, on the financial statements of the Board.

We will review the status of the comments, during our next audit engagement. We have already discussed these comments and suggestions, with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations, if any.

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


NISIVOCCIA LLP



Francis Jones

Certified Public Accountant
Licensed Public School Accountant #1154

BOROUGH OF DEMAREST SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019

Scope of Audit

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

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

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Phil Nisonoff	Treasurer	\$ 300,000
Thomas Perez	Business Administrator/Board Secretary	300,000

The District also has Employee Dishonesty and Faithful Performance coverage through the Selective Insurance Company as detailed on Exhibit J-20 of the CAFR.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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 tested were approved by the Superintendent and certified by the President of the Board, the School Business Administrator, and the Superintendent.

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

The required certification (E-CERT 1) of compliance with all documentation prepared for income tax related purposes of administrators (superintendent, assistant superintendent and business administrator) complying with the requirements of federal and state laws and regulations, was completed and submitted to the NJ Department of Treasury by the due date of March 15.

BOROUGH OF DEMAREST SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

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

Classification of General and Administrative 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, we reviewed 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

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

The E.S.E.A. financial exhibits are contained herein within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title III and Title IV of the Elementary and Secondary Education Act as amended and reauthorized.

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 state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

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

T.P.A.F. Reimbursement

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2019. The reimbursement form was reviewed and no exceptions were noted.

BOROUGH OF DEMAREST SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

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 \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L.1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

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 therefore, except as is provided otherwise in this chapter or specifically by any other law"

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 Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A 18A:39-3 is currently \$19,000.

As per N.J.S.A. 18A:18A-3, the Board passed a resolution authorizing the Business Administrator as a qualified purchasing agent and increasing the bid threshold to \$40,000.

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 Attorney'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. General compliance was noted.

BOROUGH OF DEMAREST SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

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.

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.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Application for State School Aid

Our audit procedures included a test of enrollments and related services reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low income and bilingual students. 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 no exceptions. The information that was included on the work papers was verified on a test basis with 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's written procedures for the recording of student enrollment data appear to be adequate.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2018-2019 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Facilities and Capital Assets

The District did not have any active SDA projects.

BOROUGH OF DEMAREST SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2019
(Continued)

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel be preapproved by the Board of Education and Superintendent and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.

Our review of the travel policies and records revealed that the District was in compliance with the travel regulations.

Testing for Lead in Drinking Water of Education Facilities

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

Management Suggestions

New Jersey Earned Sick Leave Law

The New Jersey Earned Sick Leave Law was effective October 29, 2018. This law allows employees to accrue 1 hour of earned sick leave for every 30 hours worked, up to 40 hours each calendar year. We suggest that Districts perform a review each year to determine if there are any employees not previously eligible to receive earned sick leave who are now entitled to under this law and that adequate records are maintained for the accrual of the earned sick leave.

Governmental Accounting Standards Board (GASB) Statements

The next GASB Statement which will have an impact on the District's financial statements is GASB Statement No. 84, *Fiduciary Activities*, which is effective for the fiscal year ended June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement will likely have an impact on the financial statement presentation of the Payroll Agency Fund and may have an impact on the presentation of the Student Activities Agency Fund and Trust Funds such as the Private Purpose Scholarship Trust and Unemployment Trust Fund.

Status of Prior Year's Findings/Recommendations

There were no prior year audit findings or recommendations.

BOROUGH OF DEMAREST SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 15, 2018

	2019-2020 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Sample		Verified per		Errors per	
	A.S.S.A.		Workpapers		On Roll		Workpapers		Registers		Registers	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool 3 Years Old	12		12				12		12			
Full Day Preschool 4 Years Old	18		18				18		18			
Full Day Kindergarten	62		62				62		62			
Grade One	53		53				53		53			
Grade Two	61		61				61		61			
Grade Three	57		57				57		57			
Grade Four	65		65				65		65			
Grade Five	69		69				69		69			
Grade Six	69		69				69		69			
Grade Seven	67		67				67		67			
Grade Eight	61		61				61		61			
Subtotal	594		594				594		594			
Special Ed - Elementary	49		49				5		5			
Special Ed - Middle School	38		38				4		4			
Subtotal	87		87				9		9			
Totals	681		681			0	603	0	603	0	0	0
Percentage Error					0.00%						0.00%	0.00%

BOROUGH OF DEMAREST SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 15, 2018

	Private Schools for Disabled				Resident Low Income				
	Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Grade Four					1	1			
Grade Eight					1	1	1	1	
Subtotal					2	2	1	1	
Special Ed - Middle School	1	1	1						
Subtotal	1	1	1						
Totals	1	1	1	0	2	2	1	1	0
Percentage Error			0.00%						0.00%

BOROUGH OF DEMAREST SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 15, 2018

	Resident LEP Not Low Income					
	Reported on	Reported on	Sample		Verified to	Sample
	A.S.S.A. as	Workpapers as	Selected	from	Test Scores	Errors
Income	Income	Income	Workpapers	and Register	Errors	
LEP Not Low	LEP Not Low	Errors	Workpapers	and Register	Errors	
Income	Income	Errors	Workpapers	and Register	Errors	
Full Day Kindergarten	5	5	1	1	1	
Grade One	1	1				
Grade Two	1	1	1	1	1	
Grade Three	1	1				
Grade Four	1	1				
Grade Five	1	1	1	1	1	
Grade Six	1	1				
Grade Seven	4	4	1	1	1	
Grade Eight	2	2	1	1	1	
Totals	17	17	5	5	5	0

Percentage Error 0.00% 0.00%

BOROUGH OF DEMAREST SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Tested	Verified	Errors	Errors
Regular - Public Schools	1	1	1	1		
Transported - Non Public	5	5	2	2		
AIL - Non Public	24	24	4	4		
Special Needs - Public	8	8	2	2		
Special Needs -Private	1	1	1	1		
Totals	39	39	10	10	0	0
Percentage Error					<u>0.00%</u>	<u>0.00%</u>

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	4.5	4.5
Average Mileage - Regular Excluding Grade PK Students	4.5	4.5
Average Mileage - Special Education with Special Needs	6.4	6.4

BOROUGH OF DEMAREST SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2019

EXCESS SURPLUS CALCULATION

Section 1 - REGULAR DISTRICT

2018-2019 Total General Fund Expenditures per the CAFR	\$ 16,627,497 (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ -0- (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	\$ -0- (B1b)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	\$ 2,033,416 (B2a)	
Assets Acquired Under Capital Leases	\$ 287,201 (B2b)	
Adjusted 2018-2019 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 14,306,880 (B3)</u>	
2% of Adjusted 2018-2019 General Fund Expenditures [(B5) times .02]	\$ 286,138 (B4)	
Enter Greater of (B4) or \$250,000	\$ 286,138 (B5)	
Increased by: Allowable Adjustment	<u>\$ 196,385 (K)</u>	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 482,523 (M)</u>

Section 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 5,056,944 (C)	
Decreased by:		
Year-End Encumbrances	\$ 13,288 (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ 1,675,000 (C2)	
Excess Surplus - Designated for Subsequent Year's Expenditures	\$ -0- (C3)	
Other Restricted Fund Balances	\$ 1,272,154 (C4)	
Assigned - Designated for Subsequent Year's Expenditures	\$ 159,287 (C5)	
Additional Assigned Fund Balance - Designated for Subsequent Year's Expenditures July 1, 2019 - August 1, 2019	<u>\$ -0- (C6)</u>	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 1,937,215 (U1)</u>

Section 3

Restricted Fund Balance-Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0-	<u>\$ 1,454,692 (E)</u>
--	-------------------------

BOROUGH OF DEMAREST SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2019

Recapitulation of Excess Surplus as of June 30, 2019

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ -0- (C3)
Restricted Excess Surplus [(E)]	\$ 1,454,692 (E)
Total [(C3)+(E)+(F)]	\$ 1,454,692 (D)

Detail of Allowable Adjustments

Impact Aid	\$ -0- (H)
Sale and Lease Back	\$ -0- (I)
Extraordinary Aid	\$ 189,390 (J1)
Additional Nonpublic School Transportation Aid	\$ 6,995 (J2)
Total Adjustments [(H)+(I)+(J1)+(J2)]	\$ 196,385 (K)

Detail of Other Restricted Fund Balance

Statutory Restrictions	\$ -0-
Sale/Lease-Back Reserve	\$ -0-
Capital Reserve	\$ 1,272,154
Emergency Reserve	\$ -0-
Maintenance Reserve	\$ -0-
Tuition Reserve	\$ -0-
Other State/Governmental Mandated Reserve	\$ -0-
Other Restricted Fund Balance not Noted Above	\$ -0-
Total Other Restricted Fund Balance	\$ 1,272,154

BOROUGH OF DEMAREST SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2019

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
None
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
9. Status of Prior Year's Findings/Recommendations
There were no prior year audit findings or recommendations.