

**WALDWICK BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

**WALDWICK BOARD OF EDUCATION
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Report of Independent Auditors	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4-5
Food Service Fund	5
Student Activity/Athletic Accounts	5
Application for State School Aid	5
Pupil Transportation	6
Follow-Up on Prior Year Findings	6
Miscellaneous	6
Number of Milks Served and (Over)/Underclaim – Not Applicable	7
Schedule of Net Cash Resources – Not Applicable	7
Schedule of Audited Enrollments	8-10
Calculation of Excess Surplus	11
Recommendations	12
Acknowledgement	12



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

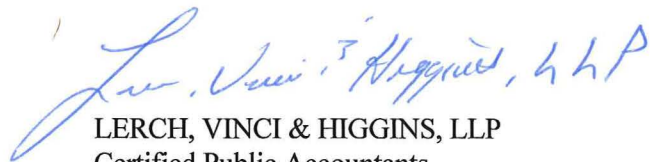
ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

Honorable President and Members
of the Board of Education
Waldwick Board of Education
Waldwick, 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 Waldwick Board of Education as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated October 28, 2019.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 28, 2019

**WALDWICK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Chief School 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 the Insurance Schedule contained in the district's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18:A17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
John J. Griffin	Business Administrator/Board Secretary	\$250,000

There is an Employees Dishonesty Faithful Performance Blanket Position Bond with Selective Insurance Company covering all other employees with multiple coverage of \$250,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any discrepancies with respect to each of 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 tested were certified by the President of the Board and the Board Secretary/Business Administrator and were approved by the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium withholding due to General Fund.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

Employee Position Control Roster

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

**WALDWICK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Travel

The District had an approved board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12.

Payments made to employees for a travel event were in accordance with the approved travel policy.

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.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Acknowledgment of the Board's receipt of the Board Secretary and Treasurer's monthly financial reports was included in the minutes.

Finding- Our reconciliation of the District's modified General Fund budget revealed the following:

- The District made an unauthorized modification to the General Fund Budget in the amount of \$29,186 and then incorrectly charged a prior year expense for unused sick leave to the General Fund Budget for that same amount. This prior year expense was in accounts payable at 6/30/18 and then was subsequently cancelled. Auditor has re-classified the prior year expense and has reversed the unauthorized budget modification in the District's financial statements.
- The District approved an appropriation of Capital Reserve funds to supplement the new Traphagen Building 11 construction. The District's didn't modify the General Fund Budget for the appropriation of Capital Reserve funds and furthermore didn't process the transfer to the Capital Projects Fund through the General Fund budget. The disbursement was processed through the Capital Reserve balance sheet account. Auditor has adjusted the financial statements accordingly to show this modification and transfer made from the General Fund to the Capital Projects Fund.

Recommendation- It is recommended that all modifications to the General Fund budget be approved in the official minutes of the District and if applicable approved by the Executive County Superintendent. Furthermore transfers made to other funds be processed through the General Fund budget.

Finding – There was one budget-line account expended which was caused by an audit adjustment. Therefore no audit recommendation is warranted.

The prescribed contractual order system was followed.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

**WALDWICK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Elementary and Secondary Education Act (E.S.E.A.)/As Amended by the Every Student Succeeds (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 projects under Titles I, IIA, III and VI of the Elementary and Secondary Education Act as amended.

Our examination 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.

Other Special Federal and/or State Projects

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

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

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

I.D.E.A Part B

Separate accounting was maintained for each approved project. Grant application approvals and acceptance of grant funds were made by board resolution and recorded in the minutes.

T.P.A.F. Reimbursements

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

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the Department by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 \$19,000 for 2018-19.

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 \$40,000. 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. The Board has designated the Business Administrator as the qualified purchasing agent for the District.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in 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.

**WALDWICK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The results of our examination did not indicate any individual payments, contracts, or agreements which were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, as amended.

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. Our examination did reveal, however, that purchases were made through the use of State contracts for the purchase of computer equipment, cargo van, playground equipment, office furniture and equipment.

Food Service Fund

The financial transactions and statistical records of the school food services were maintained in good condition.

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.

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.

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 were a net profit.

The District does not participate in the National School Lunch Program.

Student Activity/Athletic Accounts

The Board has a policy, which clearly established the regulation of student activity and athletic accounts.

Cash receipts were promptly deposited.

Supporting documentation was maintained for cash disbursements tested.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private school for the disabled, low income, related services and bilingual education. 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 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.

**WALDWICK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2018-19 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.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. There were no findings in the prior year.

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.

**WALDWICK BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MILKS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

**WALDWICK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2018
SCHEDULE OF AUDITED ENROLLMENTS**

	2019/20 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on Original A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Veri- fication	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Pre K (3yrs)	2	-	2	-	-	-	2	-	2	-	-	-	-	-	-	-	-
Full Day Pre K (3yrs)					-	-	12		12	-	-	-	-	-	-	-	-
Half Day Pre K (4yrs)	12		12	-	-	-				-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)					-	-				-	-	-	-	-	-	-	-
Half Day Kindergarten					-	-				-	-	-	-	-	-	-	-
Full Day Kindergarten	124		124		-	-	61		61	-	-	-	-	-	-	-	-
Grade 1	117		117		-	-	61		61	-	-	-	-	-	-	-	-
Grade 2	120		120		-	-	57		57	-	-	-	-	-	-	-	-
Grade 3	115		115		-	-	53		53	-	-	-	-	-	-	-	-
Grade 4	108		108		-	-	47		47	-	-	-	-	-	-	-	-
Grade 5	98		98		-	-	57		57	-	-	-	-	-	-	-	-
Grade 6	97		97		-	-	97		97	-	-	-	-	-	-	-	-
Grade 7	102		102		-	-	102		102	-	-	-	-	-	-	-	-
Grade 8	88		88		-	-	88		88	-	-	-	-	-	-	-	-
Grade 9	114	1	114	1	-	-	114		114	-	-	-	-	-	-	-	-
Grade 10	97		97		-	-	97		97	-	-	-	-	-	-	-	-
Grade 11	96		96		-	-	96		96	-	-	-	-	-	-	-	-
Grade 12	77		77		-	-	77		77	-	-	-	-	-	-	-	-
Subtotal	1,367	1	1,367	1	-	-	1,021	-	1,021	-	-	-	-	-	-	-	-
Sp Ed- Elementary	95		95		-	-	15		15	-	-	-	3	2	2	-	-
Sp Ed - Middle School	77		77		-	-	13		13	-	-	-	5	4	4	-	-
Sp Ed - High School	56		56		-	-	10		10	-	-	-	10	9	9	-	-
Subtotal	228	-	228	-	-	-	38	-	38	-	-	-	18	15	15	-	-
Totals	1,595	1	1,595	1	-	-	1,059	-	1,059	-	-	-	18	15	15	-	-
Percentage Error					0.00%	0.00%				0.00%	0.00%					0.00%	

**WALDWICK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2018
SCHEDULE OF AUDITED ENROLLMENTS**

	Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre K (4yrs)												
Full Day Pre K (4yrs)												
Half Day Kindergarten												
Full Day Kindergarten												
Grade 1												
Grade 2												
Grade 3												
Grade 4												
Grade 5												
Grade 6												
Grade 7												
Grade 8												
Grade 9												
Grade 10												
Grade 11												
Grade 12												
Subtotal			-	-	-	-	-	-	-	-	-	-
Sp Ed - Elementary	2	2		2	2	-						-
Sp Ed - Middle School						-						-
Sp Ed - High School						-						-
Subtotal	2	2	-	2	2	-	-	-	-	-	-	-
Totals	2	2	-	2	2	-	-	-	-	-	-	-

Percentage Error 0.00% 0.00% #DIV/0! #DIV/0!

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Reg. - Public Schools	52	52	-	32	32	-
Special Ed. - Public	13	13	-	13	13	-
Transported - Non - Public	86	86	-	53	53	-
Special Needs - Public	33	33	-	20	20	-
	184	184	-	118	118	-

Percentage Error 0.00% 0.00%

**WALDWICK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2018
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-
Full Day Pre K (4yrs)						-
Half Day Kindergarten						-
Full Day Kindergarten	1	1		1	1	-
Grade 1	4	4		4	4	-
Grade 2	6	6		4	4	-
Grade 3	2	2				-
Grade 4	5	5		5	5	-
Grade 5						-
Grade 6	2	2		2	2	-
Grade 7						-
Grade 8						-
Grade 9	4	4		4	4	-
Grade 10	3	3		3	3	-
Grade 11	2	2		2	2	-
Grade 12	1	1		1	1	-
Subtotal	30	30	-	26	26	-
Sp Ed - Elementary	2	2	-	2	2	-
Sp Ed - Middle School	-	-	-	-	-	-
Sp Ed - High School						-
Subtotal	2	2	-	2	2	-
Totals	32	32	-	28	28	-
			<u>0.00%</u>			<u>0.00%</u>

**WALDWICK BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 1

2018-2019 Total General Fund Expenditures per the CAFR, Ex.C-1	\$ 35,516,103
Increased by:	
Transfer form Capital Reserve to Capital Projects Fund	350,000
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>4,642,635</u>
Adjusted 2018-2019 General Fund Expenditures	<u>\$ 31,223,468</u>
2% of Adjusted 2018-2019 General Fund Expenditures	<u>\$ 624,469</u>
Enter Greater of 2% of Adjusted 2018-2019 General Fund Expenditures or \$250,000	624,469
Increased by: Allowable Adjustment*	<u>225,652</u>
Maximum Unassigned Fund Balance	<u>\$ 850,121</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2019 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 5,330,156
Decreased by:	
Year End Encumbrances	70,451
Legally Restricted - Designated for Subsequent Year's Expenditures	798,044
Restricted Balances-	
Capital Reserve	2,064,879
Maintenance Reserve	400,000
Designated for Subsequent Year's Expenditures	<u>76,244</u>
	<u>3,409,618</u>
Total Unassigned Fund Balance	<u>\$ 1,920,538</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	<u>\$ 1,070,417</u>
<i>Recapitulation of Excess Surplus as of June 30, 2019</i>	
Reserved Excess Surplus - Designated for Subsequent Year's Budget Excess Surplus	<u>\$ 798,044</u> <u>1,070,417</u>
	<u>\$ 1,868,461</u>

***Detail of Allowable Adjustments**

Extraordinary Aid-Excess over the amount budgeted in the 2018/2019 certified budget	\$ 212,312
Additional Nonpublic School Transportation Aid	<u>13,340</u>
Total Adjustments	<u>\$ 225,652</u>

**WALDWICK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that all modifications to the General Fund budget are approved in the official minutes of the District and if applicable approved by the Executive County Superintendent. Furthermore transfers made to other funds be processed through the General Fund budget.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities/Athletic Accounts

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Miscellaneous

There are none.

IX. Status of Prior Year Audit Findings/Recommendations

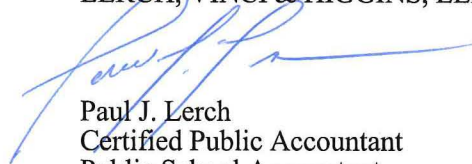
- There were no prior year findings.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP


Paul J. Lerch
Certified Public Accountant
Public School Accountant