

Auditor's Management Report

for the

*Borough of Emerson
School District*

in the

*County of Bergen
New Jersey*

for the

*Fiscal Year Ended
June 30, 2020*

**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
Emerson Borough School District
County of Bergen
Emerson, New Jersey 07630

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 Emerson School District in the County of Bergen for the year ended June 30, 2020, and have issued our report dated January 15, 2021.

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 Borough of Emerson 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

January 15, 2021

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 Emerson Borough School District and the records 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. (See Exhibit J-20)

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BOND</u>
Phil Nisonoff	Business Administrator/Board Secretary	\$250,000.00
Douglas Barrett	Treasurer of School Monies	\$250,000.00
John Vitetta	Bus Driver/Courier	\$50,000.00
Gaby Mills	Bus Driver/Courier	\$50,000.00

There is a employees' dishonesty policy covering all other employees

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.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

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.

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 treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

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.

Reserve for Encumbrances Liability (Current) for 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, 2020.

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, no errors were noted and no additional procedures were deemed necessary to the test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of account and minutes of the Board Secretary were maintained in satisfactory condition and the contractual order system was fully implemented.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

Elementary and Secondary Education Act (E.S.E.A.) as amended by 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 Titles I and VI 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 examination of the State and Federal 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 represent an accurate statement of the financial position pertaining to the aforementioned special projects.

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.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts were used. No exceptions were noted.

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 \$29,000.00, 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. (pending before the Legislature as section 15 of this bill) 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 \$40,000.00. Such authorization may be granted for each contract for 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.

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, 2018, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,600.00.

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.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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. Our examination did reveal however, that the district made purchases through the use of state contracts.

FOOD SERVICE FUND

COVID – 19 EMERGENCY

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter and Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A. 18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Price meal eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced price meal eligible students during the emergency.

FOOD SERVICE FUND (CONTINUED)

COVID – 19 EMERGENCY (CONTINUED)

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

In addition, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The statement of revenues, expenses and charges in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

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, 2019 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 work papers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained work papers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on roll status reported in the 2019-20 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

Facilities and fixed asset records were maintained in satisfactory condition. Records were updated for additions and disposals made during the 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.

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:

Not Applicable

RECOMMENDATIONS

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. Miscellaneous
None
10. Status of Prior Year's Findings/Recommendations
Not Applicable

EMERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

SCHEDULE OF AUDITED ENROLLMENTS

	2020-2021 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		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool - 3 YR	42																
Half Day Preschool - 4 YR			42				32										
Half Day Kindergarten	74						56										
One	80						61										
Two	59						45										
Three	81						62										
Four	62						47										
Five	77						59										
Six	65						49										
Seven	65						49										
Eight	79						60										
Nine	63						48										
Ten	68						52										
Eleven	66						50										
Twelve	76						58										
Post-Graduate																	
Adult H.S. (15+CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	957		957				727										
Special Ed - Elementary	65						51								8		6
Special Ed - Middle School	41						30								6		5
Special Ed - High School	35						29								15		14
Subtotal	141		141				110								29		25
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	1,098		1,098				837								29		25
Percentage Error																	

**EMERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	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												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One	4	4		3	3		1	1		1	1	
Two	3	3		2	2		4	4		3	3	
Three	4	4		3	3		1	1		1	1	
Four	5	5		4	4		1	1		1	1	
Five	7	7		5	5		1	1		1	1	
Six	4	4		3	3							
Seven	9	9		7	7							
Eight	6	6		5	5		1	1		1	1	
Nine	2	2		2	2							
Ten	5	5		3	3							
Eleven	3	3		2	2							
Twelve	4	4		3	3		1	1		1	1	
Post-Graduate												
Adult H.S. (15+CR)												
Adult H.S. (1-14 CR)												
Subtotal	62	62		47	47		10	10		9	9	
Special Ed - Elementary	10	10		9	9		4	4		4	4	
Special Ed - Middle	5	5		4	4							
Special Ed - High	2	2		2	2							
Subtotal	17	17		15	15		4	4		4	4	
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec												
Totals	79.0	79		62	62		14	14		13	13	
Percentage Error				(c)								

	Transportation		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors
Reg. - Public Schools, col. 1	71	71	
Reg.-SpEd, col. 4	9	9	
Transported - Non-Public ALL, col. 3	55	55	
Special Ed Spec, col. 6	30	30	
Totals	165	165	

	Reported	Recalculated
Reg. Avg (Mileage) = Regular Including Grade PK students (Part A)	4.4	4.4
Reg. Avg (Mileage) = Regular Excluding Grade PK students (Part B)	4.4	4.4
Spec Avg = Special Ed with Special Needs	9.1	9.1

EMERSON BOARD OF EDUCATION

**APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	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	3	3	2	2	-
One	3	3	2	2	-
Two	1	1	1	1	-
Three	1	1	1	1	-
Four	1	1	1	1	-
Five					-
Six					-
Seven					-
Eight					-
Nine	1	1	1	1	-
Ten					-
Eleven					-
Twelve					-
Post-Graduate					-
Adult H.S. (15+CR.)					-
Adult H.S. (11-14 CR.)					-
Subtotal	10	10	8	8	-
Special Ed - Elementary					-
Special Ed - Middle	1	1	1	1	-
Special Ed - High					-
Subtotal	1	1	1	1	-
Co. Voc. - Regular					-
Co. Voc. Ft. Post Sec.					-
Totals	11	11	9	9	-
Percentage Error					-

EMERSON SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2019 - 2020 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 26,042,556.02	
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 3,223,567.00	
Adjusted 2019 - 2020 General Fund Expenditures		\$ 22,818,989.02
2% of Adjusted 2019 - 2020 General Fund Expenditures		\$ 456,379.78
Greater of Line Above or \$250,000.00		\$ 456,379.78
Increased by: Allowable Adjustment		\$ 336,002.00
Maximum Unreserved/Undesignated Fund Balance		\$ 792,381.78

SECTION 2

Total General Fund - Fund Balances @ 6-30-2020	\$ 5,772,562.68	
Decreased by:		
Year-End Encumbrances	\$ 1,757,385.66	
Other Restricted Fund Balances	\$ 3,122,795.24	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ 100,000.00	
Total Unassigned Fund Balance		\$ 792,381.78

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ _____
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Recapitulation of Excess Surplus as of June 30, 2020

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ _____
Restricted Excess Surplus	\$ _____
Total Excess Surplus	\$ _____

Detail of Allowable Adjustments

Extraordinary Aid	\$ 336,002.00
	\$ 336,002.00

Detail of Other Restricted Fund Balance:

Capital Reserve	\$ 2,816,131.02
Emergency Reserve	206,664.22
Maintenance Reserve	100,000.00
	\$ 3,122,795.24

