

Auditor's Management Report

for the

*Borough of Alpine
School District*

in the

*County of Bergen
New Jersey*

for the

*Fiscal Year Ended
June 30, 2017*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS-FINANCIAL AND COMPLIANCE**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Alpine
County of Bergen
Alpine, New Jersey 07620

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Borough of Alpine School District in the County of Bergen, New Jersey for the year ended June 30, 2017, and have issued our report dated October 30, 2017.

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

This report is intended solely for the information of the Alpine School District, County of Bergen, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

October 30, 2017

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

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Borough of Alpine - Board of Education and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed in the District's CAFR.

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Marilyn Hayward	Treasurer of School Monies	\$160,000.00
Dan Hauser	Board Secretary/School Business Administrator	85,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Accounts

The net salaries of all employees of the District were deposited in the Net Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

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

Salary withholdings were promptly remitted to proper agencies, including health benefit premium amounts withheld due to the general fund.

2017-01 Finding: An analysis of the balance on account in the Payroll Agency account was not maintained.

2017-01 Recommendation: That an analysis of the balance on account in the Payroll Agency account be maintained.

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

Payroll Accounts (Continued)

2017-02 Finding: We noted that the district did not enroll two employees into the TPAF pension system on a timely basis, in addition we noted pension withholdings were not always remitted to the State on a timely basis.

2017-02 Recommendation: That the district enroll employees into the TPAF pension system on a timely basis and remit pension withholdings to the State on a timely basis.

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.

2017-03 Finding: An inquiry and subsequent review of the Position Control Roster found inconsistencies between the payroll records, the general ledger accounts to where wages are posted, and the Position Control Roster.

2017-03 Recommendation: The board should establish internal control procedures to ensure that an annual or more frequent review of the Position Control Roster is performed to ensure proper and consistent financial reporting.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2017 for proper classification of orders as reserve for encumbrances and accounts payable.

Unemployment Compensation Insurance Trust Fund

The District has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.2.

2017-04 Finding: During our test of transactions, it was noted that the district misclassified expenditures for custodial salaries. In several instances, salaries for custodians were improperly classified as salaries for regular education instruction.

2017-04 Recommendation: Districts should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 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:23A-16.2(f).

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

Board Secretary's Records

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

2017-05 Finding: The Board Secretary's records were not in agreement with the records of the Treasurer.

2017-05 Recommendation: The Board Secretary should reconcile their cash records with the reconciled bank statements and the cash records of the Treasurer.

2017-06 Finding: Several budgetary line accounts were over-expended during the fiscal year and at June 30 despite the Board Secretary's monthly certification to the contrary (*N.J.A.C. 6A:23A-16.10*).

2017-06 Recommendation: Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

2017-07 Finding: We noted that the County Special Services Tuition state aid deduction was not recorded as a revenue and expense on the Districts accounting records. The Financial Statements were adjusted to properly reflect the revenues and expenses related to the state aid deduction.

2017-07 Recommendation: That the District record all state aid deductions on its accounting records.

2017-08 Finding: The capital asset records were not updated for the additions and disposals of capital assets made during the year.

2017-08 Recommendation: The district should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

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

Treasurer's Records

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

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title II, Part B, of the Elementary and Secondary Education Act as amended and reauthorized.

2017-09 Finding: Our audit revealed reimbursements were not requested and received timely for program expenditures made during the grant period for the IDEA and NCLB programs. The result is a large receivable balance that can have a negative impact on the District's overall cash flow.

2017-09 Recommendation: That program expenditure reimbursement reports be filed for all federal programs on a timely basis.

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 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.

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.

The amount of the expenditure charged to the current year's Final Report(s) 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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. Minor overpayment to the State of New Jersey was noted and the District has already received a full refund of the overpayment.

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 States:

“a. When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$26,000.00, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971 c. 198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$36,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.”

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law.

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder.”

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 40A:11-4 is \$17,500.00 or up to \$40,000.00 if the entity has a Qualified Purchasing Agent. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,300.00.

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.

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

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.

School Food Service

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis.

The number of half pints claimed for reimbursement was verified against sales and milk count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were timely filed, and milks claimed agreed with milk count records. There were no applications for free or reduced price milk.

Expenditures were separately recorded as milk, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The Board is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash Resources did not exceed three month average expenditures.

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

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

Application For State School Aid

Our audit procedures included a test of information reported in the October 15, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with a minor exception. The information that was included on the workpapers was verified no exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with a minor exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to 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.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with Government Auditing Standards, our procedures included a review of status of prior year audit recommendations. The items noted on the following page with an “*” are repeat unresolved items.

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

RECOMMENDATIONS

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

***2017-01** That an analysis of the balance on account in the Payroll Agency account be maintained.

2017-02: That the district enroll employees into the TPAF pension system on a timely basis and remit pension withholdings to the State on a timely basis.

***2017-03** That the board should establish internal control procedures to ensure that an annual or more frequent review of the Position Control Roster is performed to ensure proper and consistent financial reporting

2017-04 District should reference *The Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2008 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:23A-16.2(f).

2017-05 The Board Secretary should reconcile their cash records with the reconciled bank statements and the cash records of the Treasurer.

2017-06 Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

***2017-07** That the District record all state aid deductions on its accounting records.

2017-08 The district should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

2017-09 That program expenditure reimbursement reports be filed for all federal programs on a timely basis.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

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

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

In accordance with Government Auditing Standards, our procedures included a review of status of prior year audit recommendations. Items notated above with an "*" are repeated/unresolved findings.

ALPINE SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016

	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	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day Preschool								
Full Day Preschool								
Half Day Kindergarten								
Full Day Kindergarten								
One			0					
Two			0					
Three			0					
Four			0					
Five			0					
Six			0					
Seven			0					
Eight			0					
Nine			0					
Ten			0					
Eleven			0					
Twelve			0					
Post-Graduate								
Adult H.S. (15+CR.)								
Adult H.S. (1-14 CR.)								
Subtotal	0	0	0	0	0	0	0	0
Special Ed - Elementary								
Special Ed - Middle								
Special Ed - High								
Subtotal	0	0	0	0	0	0	0	0
Co. Voc. - Regular								
Co. Voc. Ft. Post Sec.								
Totals	0	0	0	0	0	0	0	0
Percentage Error			0.00%		0.00%		0.00%	0.00%

Transportation

	Reported on DRTS by DOE/county		Reported on DRTS by District		Tested		Verified	
	Errors	Percentage Error	Errors	Percentage Error	Errors	Percentage Error	Errors	Percentage Error
Reg. - Public Schools	50		50		45		45	
Non-Public Trans	0		0		0		0	
Reg. Spec. Ed., col. 4	0		0		0		0	
Special Ed Spec, col. 6	15		15		14		14	
ALL, col. 7	18		18		15		15	
Totals	83		83		74		74	
Percentage Error					0.00%			

Reg Avg.(Mileage) = Regular Including Grade PK students (Part A) 3.5
 Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B) 3.5
 Spec Avg. = Special Ed with Special Needs 11.1

Reported 3.5
 Recalculated 3.5
 Reported 3.5
 Recalculated 11.1

ALPINE BOARD OF EDUCATION

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016

	Resident LEP NOT Low Income		Sample for Verification	
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Verified to Application and Register
Half Day Preschool			-	
Full Day Preschool			-	
Half Day Kindergarten			-	
Full Day Kindergarten			-	
One			-	
Two			-	
Three			-	
Four	2	2		2
Five				
Six				
Seven	1	1		1
Eight				
Nine				
Ten				
Eleven				
Twelve				
Post-Graduate				
Adult H.S. (15+CR.)				
Adult H.S. (1-14 CR.)				
Subtotal	<u>3</u>	<u>3</u>	<u>0</u>	<u>3</u>
Special Ed - Elementary			-	
Special Ed - Middle			-	
Special Ed - High			-	
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular			-	
Co. Voc. Ft. Post Sec.			-	
Totals	<u>3</u>	<u>3</u>	<u>0</u>	<u>3</u>
Percentage Error			<u>0.00%</u>	<u>0.00%</u>

BOROUGH OF ALPINE SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section 1- 2% Calculation of Excess Surplus

2016-17 General Fund Expenditures per the CAFR (Exhibit C-1)		\$	6,786,793.07
Decreased by:			
On-Behalf TPAF Pension and Social Security	\$	<u>555,133.52</u>	555,133.52
Adjusted 2016-17 General Fund Expenditures		\$	<u><u>6,231,659.55</u></u>
2% of Adjusted 2016-17 General Fund Expenditures		\$	<u><u>124,633.19</u></u>
Greater of 2% or \$250,000	\$	250,000.00	
Increased by: Allowable Adjustment		<u>3,132.00</u>	
Maximum Unreserved/Undesignated Fund Balance		\$	<u><u>253,132.00</u></u>

Section 2

Total General Fund Balances at June 30, 2017 (Exhibit C-1)		\$	895,141.26
Decreased by:			
Reserved for Encumbrances	\$	55,584.99	
Other Restricted Fund Balances		580,856.27	
Assigned Fund Balances Unreserved - Designated for Subsequent Years Expenditures		<u>5,568.00</u>	
Total Unassigned Fund Balance		\$	<u><u>642,009.26</u></u> <u><u>253,132.00</u></u>

Detail of Allowable Adjustments:

Additional Non-Public School Transportation Aid		\$	3,132.00
		\$	<u><u>3,132.00</u></u>

Detail of Other Restricted Fund Balances:

Capital Reserve		\$	530,856.27
Emergency Reserve			<u>50,000.00</u>
		\$	<u><u>580,856.27</u></u>

