

**MIDLAND PARK BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**MIDLAND PARK BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and
Members of the Board of Trustees
Midland Park Board of Education
Midland Park, New Jersey

We have audited in accordance with auditing standards generally accepted audit standards Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Midland Park Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 16, 2017.

As part of our audit, we performed procedures required by the Office of School Finance, New Jersey 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 for the information and use of management, the Board of Trustees, others within the District and the New Jersey 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

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 16, 2017

**MIDLAND PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

GENERAL COMMENTS

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Stacy Garvey	Board Secretary/School Business Administrator	\$210,000

There is an employee dishonesty coverage with Selective Insurance covering all other employees with coverage of \$400,000 per loss.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any discrepancies with respect to each of signatures, certifications or supporting documentation.

**MIDLAND PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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.

Our review of payroll records indicated that all payrolls tested were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

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

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

The District filed the required certification (ECERT1) of compliance with requirements for income tax compensation of certain administrators with the NJ Department of Treasury by the March 15 due date.

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 proper classification of orders as reserve for encumbrances and accounts payable.

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 a random sample, our sample also included new procedures required by the State Department of Education for specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.3. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

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

The cash reconciliations for the general operating account, adult education account and payroll account were performed by the Board's designee in accordance with N.J.S.A. 18A:17-9.

All cash receipts were promptly deposited.

The prescribed contractual order system was followed.

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

**MIDLAND PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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./NCLB financial exhibits are contained within the financial section (Special Revenue Fund) of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I and II of the Elementary and Secondary Education Act, as amended and reauthorized.

Our examination of the 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 District's special projects were approved as listed on Schedule A and Schedule B located in the single audit section of the CAFR.

Other Special Federal and/or State Projects

Our examination of the other 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.

Finding (CAFR Finding 2017-001) – Our audit of the District's Extraordinary Aid Application noted that detailed workpapers to support each student's costs reported on the application are not being maintained.

Recommendation – It is recommended that the District maintain detailed workpapers to support each student's costs reported on the Extraordinary Aid application.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms 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 State.

Finding – Our review of the certified nonpublic Project Completion Report revealed that the District erroneously claimed amounts due to the State for unexpended balances as expended in the completion report, thereby, certifying no amount was due back to the State, when in fact, there were funds due back.

Recommendation – It is recommended that the nonpublic Project Completion Report properly reflect only actual expenditures and unexpended balances reported as refunds due to State of New Jersey.

**MIDLAND PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) 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 \$18,800. The Business Administrator has been designated the chief purchasing agent of the District and the Board of Education has adopted a resolution 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 Board 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 goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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 school food service program was not selected as a major federal or state program. However, the program expenditures exceeded \$100,000 in federal support. Accordingly, we inquired of school management as to whether the School Food Authority (the "SFA") had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted. In addition, we inquired 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 Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The Board 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.

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.

USDA Food Distribution Program food and/or commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included on Exhibits B-4, B-5 and B-6 of the District's CAFR.

**MIDLAND PARK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Student Body Activities

The Board has a policy which clearly established the regulation of student activity funds.

Cash receipts and disbursements records for the student activity accounts were maintained in good condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with no exceptions. The results of our procedures revealed immaterial differences and 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.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2016-17 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with no exceptions. The results of our procedures are presented in the Schedule of Audited enrollments.

Our procedures 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

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the capital reserve in the General Fund and awarding of contracts for eligible facilities construction projects.

Finding – Our audit of capital assets revealed current year additions of \$555,288 were not added to the capital asset inventory report. The financial statements have been adjusted to reflect the unrecorded additions.

Recommendation – All current year additions be properly reflected in the District's capital asset inventory.

Follow-Up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations.

Suggestion to Management

- Elementary and High School disbursement request forms be modified to reflect practices and policies currently in place.

**MIDLAND PARK BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**MIDLAND PARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on 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 Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 years	8	-	8	-	-	-	8	-	8	-	-	-				
Half Day Preschool - 4 years	9	-	9	-	-	-	9	-	9	-	-	-				
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-				
Full Day Kindergarten	65	-	65	-	-	-	65	-	65	-	-	-				
1st Grade	63	-	63	-	-	-	63	-	63	-	-	-				
2nd Grade	58	-	58	-	-	-	58	-	58	-	-	-				
3rd Grade	70	-	70	-	-	-	70	-	70	-	-	-				
4th Grade	58	-	58	-	-	-	58	-	58	-	-	-				
5th Grade	49	-	49	-	-	-	49	-	49	-	-	-				
6th Grade	53	-	53	-	-	-	53	-	53	-	-	-				
7th Grade	66	-	66	-	-	-	66	-	66	-	-	-				
8th Grade	76	-	77	-	(1)	-	76	-	77	-	(1)	-				
9th Grade	60	1	60	1	-	-	60	1	60	1	-	-				
10th Grade	72	1	72	1	-	-	72	1	72	1	-	-				
11th Grade	59	-	59	-	-	-	59	-	59	-	-	-				
12th Grade	67	-	67	-	-	-	67	-	67	-	-	-				
Subtotal	833	2	834	2	(1)	-	833	2	834	2	(1)	-	-	-	-	-
Spec Ed - Elementary	46	-	46	-	-	-	68	-	68	-	-	-	1	1	1	-
Spec Ed- Middle School	30	-	30	-	-	-	29	-	29	-	-	-	6	5	5	-
Spec Ed - High School	33	-	33	-	-	-	50	-	50	-	-	-	7	6	6	-
Subtotal	109	-	109	-	-	-	147	-	147	-	-	-	14	12	12	-
Totals	942	2	943	2	(1)	-	980	2	981	2	(1)	-	14	12	12	-
Percentage Error					-0.11%						-0.10%					0.00%

**MIDLAND PARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 14, 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	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 Pre-School (3 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	4	4	-	-	-	-	-	-	-	-	-	-
1st Grade	1	1	-	-	-	-	-	-	-	-	-	-
2nd Grade	2	2	-	-	-	-	-	-	-	-	-	-
3rd Grade	3	3	-	-	-	-	-	-	-	-	-	-
4th Grade	3	3	-	-	-	-	-	-	-	-	-	-
5th Grade	1	1	-	2	2	-	-	-	-	-	-	-
6th Grade	4	4	-	-	-	-	-	-	-	-	-	-
7th Grade	1	1	-	1	1	-	1	1	-	1	1	-
8th Grade	4	4	-	1	1	-	-	-	-	-	-	-
9th Grade	5	5	-	1	1	-	-	-	-	-	-	-
10th Grade	6	6	-	-	-	-	-	-	-	-	-	-
11th Grade	3	3	-	1	1	-	-	-	-	-	-	-
12th Grade	5	5	-	-	-	-	-	-	-	-	-	-
Subtotal	42	42	-	6	6	-	1	1	-	1	1	-
Spec Ed - Elementary	1	1	-	1	1	-	-	-	-	-	-	-
Spec Ed - Middle School	2	2	-	2	2	-	-	-	-	-	-	-
Spec Ed - High School	4	4	-	-	-	-	-	-	-	-	-	-
Subtotal	7	7	-	3	3	-	-	-	-	-	-	-
Totals	49	49	-	9	9	-	1	1	-	1	1	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	16	16	-	14	14	-
Regular - Spec.	-	-	-	-	-	-
Transported - Non-Public	2	2	-	2	2	-
Special Needs - Public	21	21	-	18	18	-
Totals	39	39	-	34	34	-
			<u>0.00%</u>		9	<u>0.00%</u>

**MIDLAND PARK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 14, 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	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	1	1	-	1	1	-
1st Grade	-	-	-	-	-	-
2nd Grade	3	3	-	3	3	-
3rd Grade	-	-	-	-	-	-
4th Grade	-	-	-	-	-	-
5th Grade	-	-	-	-	-	-
6th Grade	1	1	-	1	1	-
7th Grade	-	-	-	-	-	-
8th Grade	1	1	-	1	1	-
9th Grade	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-
Subtotal	6	6	-	6	6	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed- Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	6	6	-	6	6	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**MIDLAND PARK BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1A - Two Percent (2%) - Calculation of Excess Surplus

2016-2017 Total General Fund Expenditures per the CAFR (Exhibit C-1)	\$ 24,145,348
Increased by:	
Transfer to Capital Projects	222,660
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>2,312,878</u>
Adjusted 2016-2017 General Fund Expenditures	<u>\$ 22,055,130</u>
2% of Adjusted 2016-2017 General Fund Expenditures	<u>\$ 441,103</u>
Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000	\$ 441,103
Increased by: Allowable Adjustments	<u>408,946</u>
Maximum Unassigned Fund Balance	<u>\$ 850,049</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 2,997,423
Decreased by:	
Adult Education Program	\$ 110,946
Year-End Encumbrances	568,567
Capital Reserve	692,861
Excess Surplus - Designated for Subsequent Year's Expenditures	<u>400,000</u>
	<u>1,772,374</u>
Total Unassigned Fund Balance	<u>\$ 1,225,049</u>

SECTION 3

Reserved Fund Balance - Excess Surplus	\$ <u>375,000</u>
<u>Analysis of Allowable Adjustments</u>	
Extraordinary Aid	<u>\$ 408,946</u>

MIDLAND PARK BOARD OF EDUCATION

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. The District maintain detailed workpapers to support each student's cost reported on the Extraordinary Aid application.
2. The nonpublic Project Completion Report properly reflect only actual expenditures and unexpended balances reported as refunds due to State of New Jersey.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

VI. Scholarship Fund

There are none.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

It is recommended that all current year additions be properly reflected in the District's capital asset inventory.

X. Status of Prior Year Findings/Recommendations

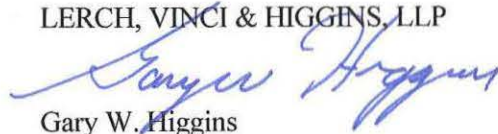
A review was performed on all prior years' recommendations and corrective action was taken on all.

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



Gary W. Higgins
Certified Public Accountant
Public School Accountant