

**TOWNSHIP OF UPPER  
BOARD OF EDUCATION**

**AUDITORS' MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2015**



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

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

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## **REPORT OF INDEPENDENT AUDITORS**

Honorable President and  
Members of the Board of Education  
Township of Upper School District  
County of Cape May, New Jersey

We have audited, in accordance with audit 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 Board of Education of the Upper Township School District in the County of Cape May for the year ended June 30, 2015, and have issued our report there on dated December 7, 2015.

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

This report is intended for the information of the Upper Township Board of Education's management and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Ford, Scott & Associates, L.L.C.*  
**FORD, SCOTT & ASSOCIATES, L.L.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

*Michael S. Garcia*  
**Michael S. Garcia**  
**Certified Public Accountant**  
**Licensed Public School Accountant**  
**No. 2080**

**December 7, 2015**

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## **ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

### **Scope of Audit**

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

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

#### **Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Laurie Ryan	Board Secretary / School Business Administrator	\$ 10,000.00
Carroll A. Bailey	Treasurer	275,000.00

#### **Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made proper adjustments to the billings to sending districts for the actual per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

### **Financial Planning, Accounting and Reporting**

#### **Examination of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to 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 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 treasurer of school moneys with a warrant made to her order for the full amount of each payroll.

#### **Reserve for Encumbrances, Liability for 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. No discrepancies were noted.

## **Financial Planning, Accounting and Reporting (Continued)**

### **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, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **Business Administrator / Board Secretary's Records**

The Board Secretary's Records were in satisfactory condition.

Bids received were summarized in the minutes.

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

Budget appropriations were not greater than realized revenues and Board authorized use of surplus in all funds except for the Debt Service Fund as noted below.

No budgetary line accounts were over-expended during the fiscal year and at June 30.

Purchase orders were charged to the appropriate line accounts in accordance with State prescribed Uniform Minimum Chart of Accounts (2R2), for New Jersey Public Schools.

### **Treasurer's Records**

The Board Treasurer's Records were in satisfactory condition.

All required reconciliations were performed.

All cash receipts were promptly deposited.

The Treasurer's Records were in agreement with the Board Secretary.

### **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 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.

The study of compliance for E.S.E.A. revealed no areas of noncompliance and/or questionable costs.

### **Other Special Federal and/or State Projects**

The District's Special Projects were approved as listed on the Schedule A and Schedule B 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.

The study of compliance for Special Federal and/or State Projects revealed no areas of noncompliance and/or questionable costs.



## **Financial Planning, Accounting and Reporting (Continued)**

### **T.P.A.F. Reimbursement**

Our audit procedures included a test of the biweekly 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.

### **TPAF Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditures charged to the current year's final reports 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 and no exceptions were noted.

## **School Purchasing Programs**

### **Contracts and Agreements Requiring Advertisement for Bids**

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) is \$36,000 and the law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300.

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.

The results of my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

### **Student Body Activities**

During our review of the student activity funds, the records were found to be in satisfactory condition.

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low income, and bilingual. We also performed a review of the districts procedures related to its completion. The information on the ASSA was compared to the district workpapers 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 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 2014-15 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with one exception noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also include a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. 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. Corrective action had been taken on all prior year findings.

### **Acknowledgment**

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

*Ford, Scott & Associates, L.L.C.*  
FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Michael S. Garcia*  
Michael S. Garcia  
Certified Public Accountant  
Licensed Public School Accountant  
No. 2080

December 7, 2015

UPPER TOWNSHIP SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

	2015-2016 Application for State School Aid						Sample for Verification						Private School for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Registers On Roll		Errors per Register On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	34				-		4				4					
Full Day Preschool																
Half Day Kindergarten	147				-		133				133					
Full Day Kindergarten	138				-		129				129					
One	116				-		109				109					
Two	138				-		133				133					
Three	120				-		114				114					
Four	137				-		127				127					
Five	134				-		128				128					
Six	142				-		136				136					
Seven	134				-		131				131					
Eight																
Nine																
Ten																
Eleven																
Twelve																
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	1,240	-	1,240	-	-	-	1,144	-	-	-	1,144	-	-	-	-	-
Special Ed-Elementary	106		106		-		56				56		-			-
Special Ed-Middle School	60		60		-		43				43		-	2	2	-
Special Ed-High School													6	6	6	-
Subtotal	166	-	166	-	-	-	99	-	-	-	99	-	8	8	8	-
Co. Voc.-Regular																
Co. Voc.Ft. Post Sec.																
Totals	1,406	-	1,406	-	-	-	1,243	-	-	-	1,243	-	8	8	8	-
Percentage Error					0%	0%										0%

SCHEDULE OF AUDITED ENROLLMENTS

UPPER TOWNSHIP SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014

	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	Sample Errors
Half Day Preschool			-			-						
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One	19	19	-	12	12	-	2	2	-	1	1	-
Two	16	16	-	10	10	-	1	1	-	1	1	-
Three	11	11	-	7	7	-						
Four	15	15	-	10	10	-						
Five	16	16	-	10	10	-						
Six	8	8	-	5	5	-						
Seven	22	22	-	14	14	-	1	1	-	1	1	-
Eight	15	15	-	9	9	-						
Nine	10	10	-	6	6	-						
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	132	132	-	83	83	-	4	4	-	3	3	-
Special Ed-Elementary	27	27	-	17	17	-						
Special Ed-Middle School	13	13	-	7	7	-	1	1	-			
Special Ed-High School												
Subtotal	40	40	-	24	24	-	1	1	-	-	-	-
Co. Voc-Regular												
Co. Voc.Ft. Post Sec.												
Totals	172	172	-	107	107	-	5	5	-	3	3	-
Percentage Error			0%			0%						0%

	Transportation			Reg. Avg. (Mileage)= Regular Including Grade PK students (Part A)			Reg. Avg. (Mileage)= Regular Excluding Grade PK students (Part B)			Special Avg.= Special Ed with Special Needs		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors	Reported	Recalculated	Reported	Recalculated	Reported	Recalculated
Reg.-Public Schools, col. 1	1,536	1,536	-	243	243	-						
Reg-SpEd, col. 4	33	33	-	6	6	-						
Transported-Non-Public, col.3			-			-						
Transported-AIL	47	47	-			-						
Special Ed Spec, col. 6	146	146	-	23	23	-						
Totals	1,762	1,762	-	272	272	-						
Percentage Error			0%			0%						

UPPER TOWNSHIP SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

	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	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool					
Full Day Kindergarten					
Half Day Kindergarten					
One	1	1	1	1	-
Two					-
Three					
Four					
Five					
Six					
Seven					
Eight					
Nine					
Ten					
Eleven					
Twelve					
Post-Graduate					
Adult H.S. (15+CR.)					
Adult H.S. (1-14 CR.)					
Subtotal	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Special Ed-Elementary					
Special Ed-Middle School	1	1	1	1	
Special Ed-High School					
Subtotal	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
Co. Voc.-Regular					
Co. Voc.Ft. Post Sec.					
Totals	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Percentage Error					<u>0%</u>

## **EXCESS SURPLUS CALCULATION**

### **REGULAR DISTRICT**

#### **SECTION 1**

##### **A. 2% Calculation of Excess Surplus**

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$33,914,493	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	1,989,740	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	0	(B1b)
Transfer from General Fund to SRF for Pre-K Regular	0	(B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	0	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	(2,117,892)	(B2a)
Assets Acquired Under Capital Leases	0	(B2b)
Adjusted 14-15 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$33,786,341</u>	(B3)
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	<u>675,727</u>	(B4)
Enter greater of (B4) or \$250,000	<u>675,727</u>	(B5)
Increased by: Allowable Adjustment *	<u>127,146</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	<u>\$802,873</u>	(M)

#### **SECTION 2**

Total General Fund - Fund Balances @ 6-30-15 (Per CAFR Budgetary Comparison Schedule C-1)	6,774,353	C
Decreased by:		
Year-end Encumbrances	(1,646,935)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	(11,177)	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	(881,879)	(C3)
Other Restricted Fund Balances ****	(2,586,803)	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	<u>0</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$1,647,559</u>	(U1)

**SECTION 3**

Restricted Fund Balance - Excess Surplus *** [(U2)-(M)] IF NEGATIVE ENTER -0-	<u>\$844,686</u> (E)
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**Recapitulation of Excess Surplus as of June 30, 2014**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>881,879</u> (C3)
Reserved Excess Surplus ***[(E)]	<u>844,686</u> (E)
Total [(C3) + (E) + (F)]	<u>\$1,726,565</u> (D)

- \* This adjustment line (as detailed below) is to be utilized for Federal Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), Extraordinary Aid, and Additional and Nonpublic School Transportation Aid; recognized current year School Bus Advertising Revenue; and Family Crisis Transportation Aid.  
(Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid).

**Detail of Allowable Adjustments**

Impact Aid	\$0 (H)
Sale & Lease-back	\$0 (I)
Extraordinary Aid	\$111,896 (J1)
Additional Nonpublic School Transportation Aid	\$15,250 (J2)
Current Year School Bus Advertising Revenue Recognized	\$0 (J3)
Family Crisis Transportation Aid	<u>\$0 (J4)</u>
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$127,146 (K)</u>

- \*\* This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

- \*\*\* Amount must agree to the June 30, 2015 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

- \*\*\*\* Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

**Detail of Other Restricted Fund Balance****Statutory restrictions:**

Approved unspent separate proposal	<u>\$0</u>
Sale/lease-back reserve	<u>\$0</u>
Capital reserve	<u>\$1,056,803</u>
Maintenance reserve	<u>\$1,530,000</u>
Emergency reserve	<u>\$0</u>
Tuition reserve	<u>\$0</u>
School Bus Advertising 50% Fuel Offset Reserve - current year	<u>\$0</u>
School Bus Advertising 50% Fuel Offset Reserve - prior year	<u>\$0</u>
Impact Aid General Fund Reserve (Sections 8002 and 8003)	<u>\$0</u>
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	<u>\$0</u>
Other state/government mandated reserves	<u>\$0</u>
Other Restricted Fund Balance not noted above****	<u>\$0</u>

Total Other Reserved Fund Balance	<u>\$2,586,803 (C4)</u>
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