

NEPTUNE CITY SCHOOL DISTRICT

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

**NEPTUNE CITY SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Neptune City School District
County of Monmouth, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Neptune City School District in the County of Monmouth for the year ended June 30, 2016, and have issued our report thereon dated November 30, 2016.

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 Neptune City Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Licensed Public School Accountant

No. 2183

ALVINO & SHECHTER, L.L.C.

November 30, 2016

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

SCOPE OF AUDIT

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies (Chief School Administrator), the activities of the Board of Education, 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 (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
William Folk	Board Secretary/School Business Administrator	\$5,000.00
Debra Mecora, Ed. D.	Chief School Administrator	\$200,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$25,000.00.

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 and Employee Position Control Roster

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/Business Administrator.

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

An inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) 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-2.4. As a result of the procedures performed no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification and administrative classification.

A. General Classification Findings

None

B. Administrative Classification Findings

None

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following item:

Finding 2016-1 AMR:

One budgetary line account was over-expended during the fiscal year end at June 30, despite the Board Secretary's monthly certification to the contrary (N.J.S.A. 6A:23A-16.10).

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.

Treasurer's Records

The District passed a resolution on July 31, 2012 in accordance with Chapter 39, P.L. 2010, to abolish the position of treasurer of school monies and to have the Chief School Administrator assume the duties of the treasurer of school monies. All records/reports formerly kept by the treasurer were properly maintained by the Chief School Administrator.

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 Title I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated 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 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.

The study of compliance for the special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

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

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 \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. William Folk has been appointed as the qualified purchasing agent pursuant to N.J.S.A. 40A:11-9(b) and therefore the bid threshold has been increased to \$40,000.00 per statute. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A-39-3 is currently \$18,800.00 for 2015-16.

The board of education has the responsibility of determining whether the expenditure 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.

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 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.

Paper and general classroom and office supplies were purchased through a cooperative bidding and purchasing participation agreement with the Middlesex Regional Educational Services Commission.

School Food Service

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions were noted.

The Board of Education entered into a food service management contract with Maschio's Food Service, Inc., to operate the cafeteria for 2015/2016 school year.

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 beginning and ending inventories were accepted as submitted.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

Food Distribution Program 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 in the section entitled Enterprise Funds of the CAFR.

Student Body Activities

The financial transactions of the student activity agency fund were reviewed. No exceptions were noted.

Unemployment Compensation Insurance Trust Fund

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

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A) for on roll, private school 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 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 2015/2016 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 service.

Follow-up on Prior Years' Findings

There were no prior year recommendations.

Acknowledgment

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

NEPTUNE CITY SCHOOL DISTRICT

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 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 Registers 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																
Full Day Preschool	2		2					2		2						
Half Day Kindergarten																
Full Day Kindergarten	39		39					39		39						
One	31		31					31		31						
Two	32		32					32		32						
Three	29		29					29		29						
Four	31		31					31		31						
Five	33		33					33		33						
Six	30		30					30		30						
Seven	32		32					32		32						
Eight	31		31					31		31						
Nine																
Ten																
Eleven																
Twelve																
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	290	0	290	0	0	0	0	290	0	290	0	0	0	0	0	0
Special Ed - Elementary	44		44					44		44			1	1	1	
Special Ed - Middle School	29		29					29		29			6	6	6	
Special Ed - High School													12	12	12	
Subtotal	73	0	73	0	0	0	0	73	0	73	0	0	19	19	19	0
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	363	0	363	0	0	0	0	363	0	363	0	0	19	19	19	0
Percentage Error					0.00%	0.00%							0.00%	0.00%		0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**NEPTUNE CITY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	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 Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	23	23		23	23		5	5		5	5	
One	21	21		21	21		4	4		4	4	
Two	18	18		18	18		3	3		3	3	
Three	18	18		18	18		2	2		2	2	
Four	15	15		15	15							
Five	17	17		17	17							
Six	11	11		11	11							
Seven	14	14		14	14		1	1		1	1	
Eight	16	16		16	16							
Nine	13	13		13	13							
Ten	6	6		6	6							
Eleven	11.5	11.5		11.5	11.5							
Twelve	12	12		12	12		1	1		1	1	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	<u>195.5</u>	<u>195.5</u>	<u>0</u>	<u>195.5</u>	<u>195.5</u>	<u>0</u>	<u>16</u>	<u>16</u>	<u>0</u>	<u>16</u>	<u>16</u>	<u>0</u>
Special Ed - Elementary	31	31		31	31							
Special Ed - Middle	28	28		28	28							
Special Ed - High	<u>23.5</u>	<u>23.5</u>	<u>0</u>	<u>23.5</u>	<u>23.5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>82.5</u>	<u>82.5</u>	<u>0</u>	<u>82.5</u>	<u>82.5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular												
Co. Voc. Fl. Post Sec.												
Totals	<u>278.0</u>	<u>278.0</u>	<u>0</u>	<u>278.0</u>	<u>278.0</u>	<u>0</u>	<u>16</u>	<u>16</u>	<u>0</u>	<u>16</u>	<u>16</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation						Reported	Recalculated
	Reported on DTRTS by DOE/county	Reported on DTRTS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools, col. 1	40	40		40	40			
Reg -SpEd, col. 4								
Transported - Non-Public, col. 3								
Special Ed Spec, col. 6	<u>27</u>	<u>27</u>	<u>0</u>	<u>27</u>	<u>27</u>	<u>0</u>		
Totals	<u>67</u>	<u>67</u>	<u>0</u>	<u>67</u>	<u>67</u>	<u>0</u>		
Percentage Error			<u>0.00%</u>			<u>0.00%</u>		
							Reg Avg. (Mileage) = Regular Including Grade PK students (Part A)	10.6
							Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part A)	10.6
							Spec Avg. = Special Ed with Special Needs	8.6

NEPTUNE CITY SCHOOL DISTRICT

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	1	1		1	1	
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine	1	1		1	1	
Ten	1	1		1	1	
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>	<u>3</u>	<u>0</u>
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>0</u>	<u>0</u>	<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>	<u>3</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>8,589,182.40</u> (B)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____(B1b)
Transfer from General Fund to SRF for Pre K - Regular	\$ _____(B1c)
Transfer from General Fund to SRF for Pre K - Inclusion	\$ _____(B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>508,362.66</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____(B2b)
Adjusted 2015-2016 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>8,080,819.74</u> (B3)
2% of Adjusted 2015-2016 General Fund Expenditures [(B3) times.02]	\$ <u>161,616.39</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000.00</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>181,778.00</u> (K)
Maximum Unrestricted/Unassigned Fund Balance [(B5)+(K)]	\$ <u>431,778.00</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,304,052.61</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>3,590.71</u> (C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____(C2)
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures**	\$ <u>343,355.10</u> (C3)
Other Restricted Fund Balances****	\$ <u>11,361.36</u> (C4)
Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>147,711.90</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>798,033.54</u> (U1)

SECTION 3

Restricted Fund Balance-Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0- \$ 366,255.54(E)

Recapitulation of Excess Surplus as of June 30, 2016

Restricted Excess Surplus-Designated for Subsequent Year's Expenditures**	\$ <u>343,355.10</u> (C3)
Restricted Excess Surplus***[(E)]	\$ <u>366,255.54</u> (E)
Total [(C3)+(E)]	\$ <u>709,610.64</u> (D)

Footnotes:

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

Detail of Allowable Adjustments

Impact Aid	\$ _____(H)
Sales & Lease-back	\$ _____(I)
Extraordinary Aid	\$ <u>181,778.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ _____(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____(J3)
Family Crisis Transportation Aid	\$ _____(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ <u>181,778.00</u> (K)

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

*** Amounts must agree to June 30, 2016 CAFR and must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Restricted Fund Balances must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant to the Commissioner for Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ <u>11,361.36</u>
Maintenance reserve	\$ _____
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - current year	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
Total Other Restricted Fund Balance	\$ <u>11,361.36</u> (C4)