

**SEA ISLE CITY
BOARD OF EDUCATION**

**AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

SEA ISLE CITY SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Sea Isle City School District
County of Cape May, New Jersey

We have audited, in accordance with auditing 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 Sea Isle City School District in the County of Cape May for the year ended June 30, 2016, and have issued our report thereon dated November 7, 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 Sea Isle City Board of Education's management and the New Jersey Department of Education and is not intended and should not be used by anyone other than these parties.

Ford, Scott & Associates LLC

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

Michael S. Garcia

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

November 7, 2016

**SEA ISLE CITY SCHOOL DISTRICT
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 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

Fire 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>
Tim Kelley	Board Secretary/ School Business Administrator	\$2,000.00

Tuition Charges

The District did not receive students from sending districts during fiscal year 2015.

Unemployment Compensation Insurance Fund

The Board has adopted the benefit reimbursement method and has established an Unemployment Compensation Insurance Fund (Exhibit H-2) as an expendable trust fund.

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.

Financial Planning, Accounting and Reporting - Continued

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: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, a transaction error rate of 0.0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**SEA ISLE CITY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
(CONTINUED)**

Board Secretary's Records

The Board Secretary's records were in satisfactory condition.

Accountability Regulations

District boards of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. N.J.A.C. 6A:23A-6.4 requires that the district's internal control policies include specific requirements at N.J.A.C. 6A:23A-6.5 through 6.13.

Treasurer's Records

The Treasurer's records were found to be in satisfactory condition. All cash receipts were promptly deposited.

Other Special Federal and/or State Projects

The District's other 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.

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 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 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 Solicitor's opinion should be sought before a commitment is made.

Based on the results of my examination, I did not find 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 provisions 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.

**SEA ISLE CITY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
(CONTINUED)**

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 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. The information that was included on the workpapers was verified with exceptions noted. The results of our procedures are presented below and in the Schedule of Audited Enrollments.

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-16 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.

Suggestions to Management

We noted that the district currently has a capital reserve. Since there is no longer a facility we suggest that the capital reserve be closed out and funds be transferred to unrestricted fund balance.

Follow-Up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year recommendations.

Acknowledgment

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

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

Michael S. Garcia

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

November 7, 2016

SEA ISLE CITY BOARD OF EDUCATION

APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

SCHEDULE OF AUDITED ENROLLMENTS

	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		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 Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Verification	Sample Errors
Half Day Preschool														
Full Day Preschool														
Half Day Kindergarten														
Full Day Kindergarten														
One														
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	0		0											
Special Ed - Elementary														
Special Ed - Middle School														
Special Ed - High School														
Subtotal	0		0											
Co. Voc. - Regular														
Co. Voc. Ft. Post Sec.														
Totals	0		0											
Percentage Error					0.00%		0.00%		0.00%		0.00%		0.00%	0.00%

**SEA ISLE CITY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

SCHEDULE OF AUDITED ENROLLMENTS

	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	-	-	-	-	-	-	-	-
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	0	0	-	0	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-	-	-
Subtotal	0	0	-	-	-	-	-	-
Co. Voc. - Regular	0	0	0	0	-	-	-	-
Co. Voc. Ft. Post Sec.	0	0	0	0	-	-	-	-
Totals	0	0	0	0	-	-	-	-
Percentage Error	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Transportation

	Reported on DR TRS by DOE/county		Reported on DR TRS by District		Tested	Verified	Errors
	Totals	Percentage Error	Totals	Percentage Error			
Reg. - Public Schools, col. 1	76	-	76	-	-	-	-
Reg.-SpEd, col. 4	29	-	29	-	-	-	-
Transported - Non-Public, col. 2	-	-	-	-	-	-	-
Aid in Lieu	-	-	-	-	-	-	-
Special Ed Spec, col. 6	12	-	12	-	-	-	-
Totals	117	-	117	-	0	0	-
Percentage Error							#DIV/0!

Reg Avg (Mileage) = Regular Excluding Grade PK students (Part B) 11.6
 Spec Avg = Special Ed with Special Needs 12.1

SEA ISLE CITY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

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
		Errors	Sample Errors	Sample Errors
Half Day Preschool	-	-	-	-
Full Day Preschool	-	-	-	-
Half Day Kindergarten	-	-	-	-
Full Day Kindergarten	-	-	-	-
One	-	-	-	-
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	-	-	-	-
Special Ed - Elementary	-	-	-	-
Special Ed - Middle	-	-	-	-
Special Ed - High	-	-	-	-
Subtotal	-	-	-	-
Co. Voc. - Regular	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-
Totals	-	-	-	-
Percentage Error		0.00%		0.00%

**CITY OF SEA ISLE CITY SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2016**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>2,277,911.25</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$	<u> </u>	(B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u> </u>	(B1c)
Decreased By:			
On-Behalf TPAF Pension & Social Security	\$	<u> -</u>	(B2a)
Assets Acquired Under Capital Leases		<u> </u>	(B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$	<u><u>2,277,911.25</u></u>	(B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$	<u>45,558.23</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>250,000.00</u>	(B5)
Increased by: Allowable Adjustment*	\$	<u>5,046.00</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		<u><u>255,046.00</u></u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 06/30/16 (Per CAFR Budgetary Comparison schedule/statement C-1)	\$	<u>1,585,520.75</u>	(C)
Decreased by:			
Year-end Encumbrances	\$	<u> -</u>	(C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$	<u> </u>	(C2)
Legally Restricted-Excess Surplus - Designated for Subsequent Year's Expenditures ***	\$	<u>115,226.04</u>	(C3)
Other Restricted Fund Balances ***	\$	<u>824,051.32</u>	(C4)
Assigned Fund Balance-Unreserved Designated for Subsequent Year's Expenditures	\$	<u>352,613.96</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u><u>293,629.43</u></u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 -	\$	<u>38,583.43</u>	(E)
<u>Recapitulation of Excess Surplus as of June 30, 2016:</u>			
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>467,840.00</u>	(C3)
Reserved Excess Surplus ***	\$	<u>38,583.43</u>	(E)
Total [(C3) + (E)]		<u><u>506,423.43</u></u>	(D)

* 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), and Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion Extraordinary Aid and Additional Nonpublic School Transportation Aid.)

**CITY OF SEA ISLE CITY SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2016**

Detail of Allowable Adjustment

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ <u>5,046.00</u>	(J2)
 Total Adjustments [(H)+(I)+(J1) + (J2)]	 \$ <u>5,046.00</u>	 (K)

** This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amounts must agree to the June 30, 2016 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 10024.

**** 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	\$ _____	
Capital outlay for a district with a capital outlay cap waiver	\$ _____	
Sale/lease-back reserve	\$ _____	
Capital reserve	\$ <u>2,984.32</u>	
Maintenance reserve	\$ _____	
Emergency reserve	\$ <u>171,067.00</u>	
Waiver offset reserve	\$ _____	
Tuition reserve	\$ _____	
Other state/government mandated reserve	\$ _____	
[Other Restricted Fund Balance not noted above]****	\$ <u>650,000.00</u>	
 Total Other Restricted Fund Balance	 \$ <u>824,051.32</u>	 (C4)