

**BOARD OF EDUCATION  
CITY OF CAPE MAY  
COUNTY OF CAPE MAY**

**AUDITORS MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS  
- FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

***INVERSO & STEWART***  
**Marlton, New Jersey**

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

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

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

I 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 Cape May City School District, in the County of Cape May for the year ended June 30, 2017, and have issued my report thereon dated October 18, 2017.

As part of my audit, I 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 Cape May City Board of Education and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

***INVERSO & STEWART, LLC***  
Certified Public Accountants



Robert P. Inverso  
Public School Accountant No. CS001095

Marlton, New Jersey  
October 18, 2017

## ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

### Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and 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.

#### Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
John Thomas	Board Secretary/School Business Administrator	\$ 70,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Insurance Fund covering all other employees with multiple coverage of \$25,000.

#### Tuition Charges

A comparison of tentative tuition charges and actual certified charges was made. The district was not required to make any tuition adjustments.

#### Unemployment Compensation Insurance Fund

The Board of Education has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Fund (Exhibit H-2) in the fiduciary trust fund.

The Unemployment Compensation Insurance Fund was maintained in satisfactory condition.

#### Examination of Claims

An examination of claims paid during the period under audit did not indicate any material noncompliance with respect to signatures, certifications or supporting documentation.

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

### **Payroll Account**

The net salaries of all employees of the District 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 and the Chief School 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 his order for the full amount of each payroll.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators to the NJ Department of Treasury was filed by the March 15 due date.

The Payroll Account records were maintained in satisfactory condition.

### **Employee Position Control Roster**

No exceptions were noted during my examination of the Employee Position Control Roster

### **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. My review did not indicate any material discrepancies to the classification of orders.

### **Obligations of Federal Grant Awards and Requests for Reimbursement of Expenditures against those Federal Grant Awards**

No exceptions were noted during my examination of obligations of federal grant awards and requests for reimbursement of expenditures against those federal grant awards made during the period under audit.

### **Travel**

No exceptions were noted in my study of compliance for travel expenses.

### **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 my test of transactions of randomly selected expenditure items. I also reviewed the coding of all expenditures included in my compliance and single audit testing procedures. In addition to randomly selecting a test sample, my sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.2*. My review did not indicate any material discrepancies with respect to classification of expenditures.

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

The financial and accounting records of the Board Secretary/School Business Administrator's office were maintained in satisfactory condition.

**Elementary and Secondary Education Act of 1965 (E.S.E.A.), as amended by the No Child Left Behind Act of 2001 (N.C.L.B.)**

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 I, and Title II of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act.

No exceptions were noted in our study of compliance for the E.S.E.A. projects.

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

The District's Special Projects were approved as listed on Schedule K-3 and Schedule K-4 located in the CAFR.

My 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 following was noted in the review of Impact Aid:

**Finding No. 2017-001:**

Four students reported with disabilities did not have the required active individual education plan.

**Recommendation:**

That all students reported with disabilities have an active individual education plan.

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

My 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.

**T.P.A.F. Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditure 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 be-half 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.

**Nonpublic State Aid**

Not Applicable.

**School Purchasing Programs**

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 \$18,800.

The district 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 a violation of the statute, the solicitor's opinion should be sought before a commitment is made.

**School Purchasing Programs Continued)**

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising of bids in accordance with the provision of N.J.S.A.18A:18A-4.

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

**School Food Service**

For the fiscal year ended June 30, 2017, the School District expended less than \$100,000 in federal and/or state funds for its Child Nutrition Program.

**Application for State School Aid**

My 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. I 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 noted. The results of my 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**

My 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 without exception. The results of my procedures are presented in the Schedule of Audited Enrollments.

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

**Facilities and Capital Assets**

Not Applicable.

**Testing for Lead of all Drinking Water in Educational Facilities**

The School District adhered to all 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 Years' Findings**

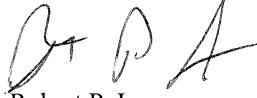
In accordance with government auditing standards, my procedures included a review of the prior year recommendation. Corrective action has been taken on the prior year recommendation.

**Acknowledgment**

I received the complete cooperation of all the officials of the Cape May City School District and I greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

***INVERSO & STEWART, LLC***  
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R P A', is written over the printed name of Robert P. Inverso.

Robert P. Inverso  
Certified Public Accountant  
Public School Accountant

October 18, 2017



SCHEDULE OF AUDITED ENROLLMENTS

Cape May City School District

Application for State School Aid Summary

Enrollment as of October 15, 2016

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on ASSA On Roll		Reported on Workpapers On Roll		Errors		Sample Selected From Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on ASSA as Private Schools	Sample for Verifi- cation	Sample Varified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full Day Pre K 4 Yr	32		32					32		32						
Full Day K	28		28					28		28						
One	33		33					33		33						
Two	20		20					20		20						
Three	16		16					16		16						
Four	21		21					21		21						
Five	22		22					22		22						
Six	11		11					11		11						
Subtotal	183	0	183	0	0	0	183	0	183	0	0	0	0	0	0	0
SpEd Elementary	17		17				17		17							
SpEd Middle School	5		5				5		5							
Subtotal	22	0	22	0	0	0	22	0	22	0	0	0	0	0	0	0
Totals	205	0	205	0	0	0	205	0	205	0	0	0	0	0	0	0
Percentage Error					-0-	-0-					-0-	-0-			-0-	-0-

Schedule of Audited Enrollments

**Cape May City School District**

Application for State School Aid Summary

Enrollment as of October 15, 2016

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA 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>
∞ Full Day Pre K 4 Yr	0	0		0	0	
Full Day K	0	0		0	0	
One	0	0		0	0	
Two	0	0		0	0	
Three	0	0		0	0	
Four	0	0		0	0	
Five	0	0		0	0	
Six	0	0		0	0	
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
SpEd Elementary	0	0		0	0	
SpEd Middle School	0	0		0	0	
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Percentage Error			<u><u>-0-</u></u>			<u><u>-0-</u></u>

Schedule of Audited Enrollments

**Cape May City School District**

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 ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Full Day Pre K 4 Yr	16	16		16	16		0	0		0	0	
Full Day K	19	19		19	19		0	0		0	0	
One	13	13		13	13		0	0		0	0	
Two	8	8		8	8		0	0		0	0	
Three	10	10		10	10		0	0		0	0	
Four	14	14		14	14		0	0		0	0	
Five	7	7		7	7		0	0		0	0	
Six							0	0		0	0	
	<u>87</u>	<u>87</u>	<u>0</u>	<u>87</u>	<u>87</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
SpEd Elementary	11	11		11	11		0	0		0	0	
SpEd Middle School	4	4		4	4		0	0		0	0	
Subtotal	<u>15</u>	<u>15</u>	<u>0</u>	<u>15</u>	<u>15</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>102</u>	<u>102</u>	<u>0</u>	<u>102</u>	<u>102</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>-0-</u>			<u>-0-</u>			<u>-0-</u>			<u>-0-</u>

Transportation

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
							Reported	Recalculated
Reg. Public School , col. 1	4	4		4	4			
Reg. Special Education, col. 4	0	0		0	0		9.3	9.3
Transported-Non-Public, col. 3	3	3		3	3		9.3	9.3
Special Needs, Col. 6	2	2		2	2		29.4	29.4
	<u>9</u>	<u>9</u>	<u>0</u>	<u>9</u>	<u>9</u>	<u>0</u>		
Percentage Error			<u>-0-</u>			<u>-0-</u>		

Avg. Mileage - Regular Including Grade PK students	9.3	9.3
Avg. Mileage - Regular Excluding Grade PK students	9.3	9.3
Avg. Mileage - Special Ed. with Special Needs	29.4	29.4

**CAPE MAY CITY SCHOOL DISTRICT**

**EXCESS SURPLUS CALCULATION**

**SECTION 1 - Regular Districts**

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

2016-2017 Total General Fund Expenditures per the CAFR, Ex C-1	\$ <u>3,767,211</u>	(B)
Increased by:		
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 PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>(404,010)</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)+(B2s)]	\$ <u>3,363,201</u>	(B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ <u>67,264</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u>	(B5)
Increased by: Allowable Adjustment	\$ <u>774,732</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$ <u>1,024,732</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,729,971</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ _____	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ _____	(C3)
Other Restricted Fund Balances	\$ <u>414,836</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>678,596</u>	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	\$ _____	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$ <u>636,539</u> (U1)

**CAPE MAY CITY SCHOOL DISTRICT**

**EXCESS SURPLUS CALCULATION**

**SECTION 3 - All Districts**

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE ENTER -0- \$           -0- (E)

**Recapitulation of Excess Surplus as of June 30, 2017**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures \$                      (C3)

Reserved Excess Surplus [(E)] \$                     -0- (E)

Total [(C3) + (E)] \$                      (D)

**Detail of Allowable Adjustments**

Impact Aid	\$	<u>773,236</u>	(H)
Sale & Lease-back	\$	<u>                    </u>	(I)
Extraordinary Aid	\$	<u>                    </u>	(J1)
Additional Nonpublic School Transportation Aid	\$	<u>1,496</u>	(J2)
Current Year School Bus Advertising Revenue	\$	<u>                    </u>	(J3)
Family Crisis Transportation Aid	\$	<u>                    </u>	(J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 \$	 <u>774,732</u>	 (K)

**Detail of Other Restricted Fund Balance**

Statutory restrictions:			
Approved unspent separate proposal	\$	<u>                    </u>	
Sale/lease-back reserve	\$	<u>                    </u>	
Capital reserve	\$	<u>814</u>	
Maintenance reserve	\$	<u>88</u>	
Emergency reserve	\$	<u>13,931</u>	
Tuition reserve	\$	<u>                    </u>	
School Bus Advertising 50% Fuel Offset Reserve - Current Year	\$	<u>                    </u>	
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	\$	<u>                    </u>	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	<u>400,003</u>	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$	<u>                    </u>	
Other state/government mandated reserves	\$	<u>                    </u>	
 Other Restricted Fund Balance not noted above	 \$	 <u>                    </u>	
 Total Other Restricted Fund Balance	 \$	 <u>414,836</u>	 (C4)

AUDIT RECOMMENDATIONS SUMMARY  
For the Fiscal Year Ended June 30, 2017

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendation and corrective action was taken on all prior year finding.