

CUMBERLAND REGIONAL SCHOOL DISTRICT

**Auditor's Management Report on Administrative
Findings, Financial, Compliance and Performance
For the Fiscal Year Ended June 30, 2017**

**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
Cumberland Regional School District
County of Cumberland, 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 Cumberland Regional School District in the County of Cumberland for the year ended June 30, 2017, and have issued our report thereon dated September 22, 2017.

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 management of the Cumberland Regional Board of Education, the New Jersey State Department of Education (cognizant audit agency), other state and federal awarding agencies and pass-through entities, and is not intended and should not be used by anyone other than these parties. 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

September 22, 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 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, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Bruce D. Harbinson	Business Administrator	\$ 150,000.00
Susan Robostello	Treasurer - through 12/3/2016	275,000.00

The Treasurer of School Monies was bonded in a surety bond in accordance with provisions of Title 18A:17-32 within minimum limits of State Board promulgated schedule.

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 premium amounts withheld and due to the general fund.

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:23-16.2(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 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.

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 reconciliation's were performed.

All cash receipts were promptly deposited.

The Treasurers Records were in agreement with the Board Secretary.

FINDING: -2017-01

The District does not maintain a detailed listing of Fixed Assets owned and in use by the District. We were able to obtain Fixed Asset Cost and Depreciation supporting workpapers from the prior auditor that substantiate the values reported in the Financial Statements.

RECOMMENDATION: -2017-01

That the District perform a Detailed Fixed Asset Inventory of all Fixed Assets owned.

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 without exception. 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 the 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.

Elementary and Secondary Education Act of 1965 (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 Other Special Federal and/or State Projects revealed no areas of noncompliance and/or questioned costs.

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.

TPAF 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-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 90 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

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3 are \$40,000. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800 for 2016-17.

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 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 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 for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, 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 Fund Net Assets (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 reviewed and found to be in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

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

The district 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. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$15,000. The operating results provision has been not met and therefore the Management Fee in the amount of \$25,000 is due back to the District.

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. No exceptions were noted.

The cash disbursement 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.

Net cash resources did not exceed three months average expenditures. No exceptions were noted.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Service employees authorized by the Board of Education. No exceptions were noted.

The number of meals claimed for reimbursement were verified against sales and meal count records. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted / certified in a timely manner.

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 and or the list of directly certified students on file times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program Food & Commodities were received and a single 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, Section G in the CAFR.

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, 2016 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.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements for consistency and recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and the awarding of contracts for eligible facilities construction. No exceptions were noted.

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.

Respectfully submitted,

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

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

September 22, 2017

**CUMBERLAND REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
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 A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Errors	Reported on A.S.S.A as LEP Low Income	Reported on Workpapers LEP Low Income	Errors	Sample Selected from Workpapers	Verified to LEP Score, Lunch App. and Register	Errors
Half Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
One	-	-	-	-	-	-	-	-	-	-	-	-
Two	-	-	-	-	-	-	-	-	-	-	-	-
Three	-	-	-	-	-	-	-	-	-	-	-	-
Four	-	-	-	-	-	-	-	-	-	-	-	-
Five	-	-	-	-	-	-	-	-	-	-	-	-
Six	-	-	-	-	-	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-
Nine	96.0	96.0	-	35	35	-	1	1	-	1	1	-
Ten	124.0	124.0	-	45	45	-	1	1	-	1	1	-
Eleven	117.5	117.5	-	44	44	-	2	2	-	2	2	-
Twelve	87.5	87.5	-	32	32	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14+CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	425.0	425	-	156	156	-	4	4	-	4	4	-
Special Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - High School	111.5	111.5	-	41	41	-	1	1	-	1	1	-
Subtotal	111.5	111.5	-	41	41	-	1	1	-	1	1	-
Co. Voc. - Regular	0.5	0.5	-	-	-	-	-	-	-	-	-	-
Co. Voc. - FT Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-
Totals	537.0	537.0	-	197	197	-	5	5	-	5	5	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation		
	Reported on DTRTS by DOE/County	Reported on District	Verified to Register
Reg. - Public Schools, col. 1	927	927	237
Reg - Sp Ed, col. 4	2	2.0	1
Transported - Non-Public, col. 3	-	-	-
Transported - Non-Public, ALL	40	40	10
Special Ed Special Needs, col. 6	22	22.0	6
Totals	991	991	254
Percentage Error			0.00%

(from dtrts)
Reported **Recalculated**
 6.8 6.8
 6.8 6.8
 19.6 19.6

Reg Avg. (Mileage) = Regular Including Grade PK Students (Part A)
 Reg Avg. (Mileage) = Regular Excluding Grade PK Students (Part B)
 Spec Avg. = Special Ed with Special Needs

**CUMBERLAND REGIONAL SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2016**

	Resident LEP NOT Low Income		Sample for Verification	
	Reported on A.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income	Sample Selected from Workpapers	Verified to LEP 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	-	-	-	-
Special Ed - Elementary	-	-	-	-
Special Ed - Middle School	-	-	-	-
Special Ed - High School	-	-	-	-
Subtotal	-	-	-	-
Co. Voc. - Regular	-	-	-	-
Co. Voc. - FT Post Sec.	-	-	-	-
Totals	-	-	-	-
Percentage Error			0.00%	0.00%

**CUMBERLAND REGIONAL SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 22,039,720.85 (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	\$ 2,125,086.90 (B2a)
Assets Acquired Under Capital Leases	\$ - (B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$ 19,914,633.95 (B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ 398,292.68 (B4)
Enter Greater of (B4) or \$250,000	\$ 398,292.68 (B5)
Increased by: Allowable Adjustment*	\$ - (K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ 398,292.68 (M)

SECTION 2

Total General Fund - Fund Balances @ 06/30/17 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 4,090,025.44 (C)
Decreased by:	
Year-end Encumbrances	\$ 194,724.61 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ - (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ 344,433.00 (C3)
Other Restricted Fund Balances ****	\$ 2,143,144.00 (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ 436,374.00 (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)]	\$ 971,349.83 (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 -	\$ 573,057.15 (E)
<u>Recapitulation of Excess Surplus as of June 30, 2017:</u>	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ 344,433.00 (C3)
Reserved Excess Surplus ***	\$ 573,057.15 (E)
Total [(C3) + (E)]	\$ 917,490.15 (D)

**CUMBERLAND REGIONAL SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017**

* 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, and Additional Nonpublic School Transportation Aid if applicable (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid).

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ _____ (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)]	 \$ _____ - (K)

** This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amounts must agree to the June 30, 2017 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	\$ 1,452,601.00
Maintenance reserve	\$ 690,543.00
Emergency 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	 \$ 2,143,144.00 (C4)