

**DOWNE TOWNSHIP
SCHOOL DISTRICT**

Newport, New Jersey

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

AUDITOR'S 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
Township of Downe School District
County of Cumberland, 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 Township of Downe School District in the County of Cumberland for the year ended June 30, 2017, and have issued our report thereon dated November 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 Downe Township 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.

Respectfully submitted,



Samuel A. Delp, Jr.
Public School Accountant #745
Triantos & Delp, CPA, LLC
Certified Public Accountants

November 22, 2017

ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE
REPORTING

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.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Lisa DiNovi	Board Secretary/ School Business Administrator	\$25,000.
Georgiana Scharnagl	Treasurer	\$160,000.

There is a commercial crime policy with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$50,000.

Tuition Charges

The District had no adjustments to billings to sending districts for the changes in per pupil cost 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 reveal 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/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Reserve for Encumbrances, Liability, (Current) 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.

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

(Continued)

Classification of Expenditures (Cont'd)

N.J.A.C. 6A:23A-2.4. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification:

None

B. Administrative Classification:

None

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed that the records were maintained in good order.

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

Cash receipts were promptly deposited.

The Treasurer's records were in agreement with the records of the Board Secretary except as noted in the above finding.

Elementary and Secondary Education Act (E.S.E.A.), Improving America's Schools Act (I.A.S.A.) as Re-Authorized by the No Child Left Behind Act of 2001

The E.S.E.A. /N.C.L.B. 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 and reauthorized.

The study of compliance for the E.S.E.A. indicated no areas of noncompliance and/or questioned 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 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 Report(s) for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) 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 PROGRAM

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

- a. Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of which, together with any other sums expended or foreseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds, does not exceed the total sum of \$7,500 or the amount determined pursuant to subsection b. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made, negotiated and awarded by a contracting agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore.
- b. Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection a. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and Philadelphia area as reported by the United States Department of Labor. The Governor shall notify all local school districts of the adjustment. The adjustment shall become effective on July 1 of the year in which it is reported.

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price thereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3 except by contract or agreement."

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 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, amended.

SCHOOL PURCHASING PROGRAM (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

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.

The school food service program was not selected as 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’s expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Finding: 2017 - 01

As of June 30, 2017, the total net position is a deficit amount.

Recommendation:

The District should take necessary action to eliminate the negative net position.

Student Body Activities

During our review of the student activity funds, the following items were noted.

Cash receipts and cash disbursements journals were maintained.

Cash receipts were promptly deposited.

All cash disbursements tested had proper supporting documentation.

Choice Students

Finding: 2017 – 02

During our review of choice students we noted that there was no “Certificate of Enrollment/Eligibility” available for six (6) choice students.

Recommendation:

The District should obtain and have available for audit all required documentation for all choice students.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools 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 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 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.

Facilities and Capital Assets

There are no capital projects in progress.

Follow-Up on Prior Years' 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 with the exception of the following, which is repeated in this year's recommendations:

The District should review the food service program and take necessary actions to eliminate the negative net asset balance and ensure that the program not continue to operate with deficits.

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,



Samuel A. Delp, Jr.
Licensed Public School Accountant, #745
Triantos & Delp
Certified Public Accountants, LLC

November 22, 2017

SCHEDULE OF AUDITED ENROLLMENTS

DOWNE TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 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	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
Full Day Kindergarten	7.0	7.0	0	7.0	7.0	0	0	0	0	0	0	0
One	8.0	8.0	0	8.0	8.0	0	0	0	0	0	0	0
Two	5.0	5.0	0	5.0	5.0	0	0	0	0	0	0	0
Three	5.0	5.0	0	5.0	5.0	0	0	0	0	0	0	0
Four	4.0	4.0	0	4.0	4.0	0	0	0	0	0	0	0
Five	4.0	4.0	0	4.0	4.0	0	0	0	0	0	0	0
Six	6.0	6.0	0	6.0	6.0	0	0	0	0	0	0	0
Seven	5.0	5.0	0	5.0	5.0	0	0	0	0	0	0	0
Eight	8.0	8.0	0	8.0	8.0	0	0	0	0	0	0	0
Nine	1.0	1.0	0	1.0	1.0	0	0	0	0	0	0	0
Ten	2.0	2.0	0	2.0	2.0	0	0	0	0	0	0	0
Eleven	0.0	0.0	0	0.0	0.0	0	0	0	0	0	0	0
Twelve	2.0	2.0	0	2.0	2.0	0	0	0	0	0	0	0
Subtotal	57.0	57.0	0	52	51	1	0	0	0	0	0	0
Special Ed - Elementary	6.0	6.0	0	6.0	6.0	0	0	0	0	0	0	0
Special Ed - Middle	7.0	7.0	0	7.0	7.0	0	0	0	0	0	0	0
Special Ed - High	7.0	7.0	0	7.0	7.0	0	0	0	0	0	0	0
Subtotal	20.0	20.0	0	13.0	13.0	0	0	0	0	0	0	0
Totals	77.0	77.0	0	65.0	64.0	1	0	0	0	0	0	0
Percentage Error			0.00%			1.54%						0.00%

Transportation

	Transportation			Transportation		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	133	133	0	82	82	0
Reg. - Sp. Ed., col. 4	20	20	0	12	12	0
Transported - Non-Public, col. 3	2	2	0	1	1	0
Special Ed Spec., col. 6	19	19	0	13	13	0
Totals	174	174	0	108	108	0
Percentage Error			0.00%			0.00%

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

	Reported	Recalculated
8	8	8
N/A	N/A	N/A
19	19	19

SCHEDULE OF AUDITED ENROLLMENTS

DOWNE TOWNSHIP BOARD OF EDUCATION

APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

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

DOWNE TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017

SECTION 1

A: 2% Calculation of Excess Surplus:

2016-20176 Total General Fund Expenditures per the CAFR Exhibit C-1		<u>\$3,431,441. (B)</u>
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		<u>0. (B1a)</u>
Transfer from Capital Reserve to Capital Projects Fund		<u>0. (B1b)</u>
Transfer from General Fund to SRF for Pre-K-Regular		<u>0. (B1c)</u>
Transfer from General Fund to SRF for Pre-K-Inclusion		<u>0. (B1d)</u>
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>350,815. (B2a)</u>	
Assets Acquired Under Capital Leases	<u>0. (B2b)</u>	
Adjusted 2016-2017 General Fund Expenditures (B)+(B1s)-(B2s)	<u>3,080,626. (B3)</u>	
2% of Adjusted 2016-2017 General Fund Expenditures (B3) x.02	<u>61,613. (B4)</u>	
Enter Greater of (B4) or \$250,000.	<u>250,000. (B5)</u>	
Increased by: Allowable Adjustment*	<u>7,910. (K)</u>	
Max. Unassigned/Undesignated-Unreserved Fund Balance (B5)+(K)		<u><u>\$257,910. (M)</u></u>

SECTION 2:

Total General Fund - Fund Balances at June 30, 2017 (Per CAFR Budgetary Comparison Schedule C-1)		<u>\$ 1,267,892. (C)</u>
Decreased by:		
Year-End Encumbrances	<u>27,383. (C1)</u>	
Legally Restricted-Designated for Subsequent Year's Expenditures	<u>0. (C2)</u>	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures **	<u>361,618. (C3)</u>	
Other Restricted Fund Balances****	<u>363,082. (C4)</u>	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	<u>10,754. (C5)</u>	
Total Unassigned Fund Balances [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u><u>\$505,055. (U1)</u></u>

DOWNE TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2017

SECTION 3:

Restricted Fund Balance-Excess Surplus ^{***} [(U)-(M)] IF NEGATIVE ENTER 0	<u>\$247,145. (E)</u>
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Recapitulation of Excess Surplus as of June 30, 2017

Restricted Excess Surplus-Designated for Subsequent Year's Expenditures ^{**}	<u>361,618. (C3)</u>
Reserved Excess Surplus ^{***} (E)	<u>247,145. (E)</u>
Total Excess Surplus [(C3)+(E)]	<u>\$608,763. (D)</u>

Detail of Allowable Adjustments

Impact Aid	<u>\$ 0. (H)</u>
Sale & Lease-Back	<u>0. (I)</u>
Extraordinary Aid	<u>7,562. (J1)</u>
Additional NonPublic School Transportation Aid	<u>348. (J2)</u>
Current Year School Bus Advertising Revenue Recognized	<u>0. (J3)</u>
Family Crisis Transportation Aid	<u>0. (J4)</u>
Total Adjustments (H)+(I)+(J1)+(J2)+(J3)+(J4)	<u>\$7,910. (K)</u>

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	<u>\$ 0.</u>
Sale/lease-back reserve	<u>0.</u>
Capital reserve	<u>125,373.</u>
Maintenance reserve	<u>174,277.</u>
Emergency reserve	<u>33,432.</u>
Tuition reserve	<u>30,000.</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 reserve	<u>0.</u>
(Other Restricted Fund Balance not noted above) ^{****}	<u>0.</u>
Total Other Restricted Fund Balance	<u>\$363,082. (C4)</u>

DOWNE TOWNSHIP SCHOOL DISTRICT
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 Program

None

4. School Food Service

Finding: 2017 - 01

As of June 30, 2017, the total net position is a deficit amount.

Recommendation:

The District should take necessary action to eliminate the negative net position.

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

Finding: 2017 – 02

During our review of choice students we noted that there was no “Certificate of Enrollment/Eligibility” available for six (6) choice students.

Recommendation:

The District should obtain and have available for audit all required documentation for all choice students.

10. Status of Prior Year Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings with the exception of finding 2016 – 01 and 2016 – 02 which are repeat findings.