

PERTH AMBOY PUBLIC SCHOOL DISTRICT

Perth Amboy, New Jersey
County of Middlesex

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
YEAR ENDED JUNE 30, 2017**

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

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

Honorable President and Members
of the Board of Education
Perth Amboy School District
County of Middlesex
Perth Amboy, New Jersey 08861

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 Perth Amboy Public School District in the County of Middlesex for the year ended June 30, 2017, and have issued our report thereon dated April 15, 2018.

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 Perth Amboy Public School District'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,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

April 10, 2018
Freehold, New Jersey

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**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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 School 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>
Derek Jess	Board Secretary/School Business Administrator	\$ 1,000,000.00

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The School District made a proper adjustment to the billings to sending districts for the decrease in per pupil cost in accordance with *N.J.A.C.6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

A sample examination of claims paid during the period under the review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of sampled employees of the board were deposited in the Payroll Account. Employee's payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

Sampled payrolls were approved by the Superintendent and were certified by the President of the Board and the School Business Administrator/Board Secretary.

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the School Business Administrator/Board Secretary who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

A sample 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 sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23 A-16.29(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of a sample of 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-8.3. As a result of the procedures performed, a transaction error rate of 0% percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition.

Treasurer's Records

During our review of the financial and accounting records maintained by the Treasurer of School Monies we noted the following items.

Finding 2017 - 003:

The treasurer's report is missing \$4,261,188.34 in outstanding checks that have been posted to the general ledger accounting system at 6/30/2017.

Recommendation:

The treasurer's report and bank reconciliation reconcile to the district's general ledger accounting system.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as Reauthorized 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 Titles I, II and III of the Elementary and Secondary Education Act as amended and reauthorized.

T.P.A.F. Reimbursement

Our audit procedures included a sample test of the biweekly reimbursements forms 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 Report(s) 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

N.J.S.A.18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at: http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headigswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42

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 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 our tests on sample basis, we 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 Statement of Revenues, Expenses, and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

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

Cash receipts and bank records were reviewed on a sample basis for timely deposit.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed on sample basis and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

School Food Service (Continued)

The cash disbursements 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.

Time sheets were reviewed on a sample basis and labor costs verified. On a sample basis, payroll records were maintained on school food services employees authorized by the board of education/board of trustees. No exceptions were noted.

The number of meals claimed for reimbursement was compared to 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 on sample basis for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications /or to 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 was reviewed for uniform administration 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 and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The Statement of Revenues, Expenses, and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The School District maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

During our review of the financial and accounting records for School Food Service we noted the following items.

Finding 2017 - 005:

The decentralized food service operations of the school district lack sufficient management oversight of financial operations and processes.

Recommendation:

Management oversight is a crucial aspect of any sound internal control structure and should be in place throughout all operations of the school district.

Finding 2017 - 006:

The 6/30/17 bank reconciliation is missing 2 outstanding checks, totaling \$842.40. These checks result in the bank reconciliation not reconciling to the general ledger system.

Recommendation:

Reconciliation should be performed accurately and tie into the general ledger accounting system.

Finding 2017 - 007:

The food service fund general ledger is being maintained on a cash basis of accounting. No accruals have been made to bring the asset and liability balances to reflect current year activity.

Recommendation:

The food service fund general ledger accounting system should be maintained using generally accepted accounting principles for proprietary fund accounting. This prescribed method of accounting requires accruals to be made.

Finding 2017 - 008:

The food service fund capital asset listing has not been maintained by the district. No current year additions, deletions or depreciation balances have been identified.

Recommendation:

The food service fund capital asset listing needs to be maintained and the general ledger accounting system should be updated to reflect the balances from the asset listing.

Finding 2017 - 009:

Meals are being provided to students and recorded as a lunch or breakfast provided in the school district records, regardless of the payment received, if any payment, per district policy. The amounts that are determined to be uncollectable continue to accrue in the district records and a reasonable account receivable balance cannot be determined.

Recommendation:

That the district establish a policy and procedure to regularly write-off uncollectable account receivable balances from district parents and those write-offs get recorded in the general ledger accounting system.

Finding 2017 - 010:

Cash register software systems are not updated with the most up-to-date inventory selections. Cashiers will manually input items that add up to be close enough to the price of items not in the computer systems software inventory.

Recommendation:

That the district establish a policy and procedure to regularly update the cash register software. All items available for purchase should be able to be selected by cashiers.

Finding 2017 - 014:

The Treasurer's Report, Page 1 does not tie to Page 2. Page 1 does not have the correct information presented, Page 2 has the information matching the bank reconciliation, but includes the incorrect cash balance, too high by the \$842.40 in outstanding checks that have not been included on the bank reconciliation.

Recommendation:

The Treasurer's Report should be reviewed and tied to the Corresponding Boards Secretaries Report and general ledger accounting system.

Finding 2017 - 015:

The Treasurer is not performing an independent reconciliation of the Food Service Fund bank account. The Treasurer's Report support only has the district's bank reconciliation initialed by the Treasurer.

Recommendation:

The Treasurer should perform an independent reconciliation of the district's bank balances to the accounting system. This reconciliation should act as a check and balance, in place to find any errors or misstatements in the district's bank reconciliations.

Finding 2017 - 016:

The food service fund inventory listing for 6/30/17 has not been performed by the district. The district does not have a policy or procedure in place to correctly inventory required items.

Recommendation:

The school district should maintain an inventory listing that is updated in the financial records annually. The inventory should be performed at 6/30/17 and the general ledger accounting system should reflect the inventoried balance.

Finding 2017 - 017:

The food service fund receipts for miscellaneous, vending and special function revenue lack the proper support to re-perform the district's transaction. Without the proper documentation, the auditor is not able to determine that all monies collected have been deposited into the food service bank account.

Recommendation:

The school district should include proper supporting documentation to back- up all receipts. The back-up documentation should be sufficient enough to allow for re-performance of the transaction.

Student Body Activities

During our review of the financial and accounting records for student activities we noted the following items.

Finding 2017 - 011:

The decentralized student activity operations of the school district lack sufficient management oversight of financial operations and processes.

Recommendation:

Management oversight is a crucial aspect of any sound internal control structure and should be in place

Finding 2017 - 012:

The student activity fund is not being maintained using a general ledger accounting system. Each school is currently maintaining individual records without a centralized recording of activity.

Recommendation:

The student activity fund general ledger accounting system should be maintained using generally accepted accounting principles for fiduciary fund accounting. All student activity accounts should be reconciled to the general ledger accounting system.

Finding 2017 - 013:

The student activity fund receipts lack the proper support to re-perform the district's transaction. Without the proper documentation, the auditor is not able to determine that all monies collected have been deposited into the food service bank account.

Recommendation:

The school district should include proper supporting documentation to back- up all receipts. The back-up documentation should be sufficient enough to allow for re-performance of the transaction.

Application for State School Aid (ASSA)

Our audit procedures included a sample 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, and bilingual. We also performed a review on a sample basis of the School District's procedures related to its completion. The information on the ASSA was compared to the School 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 School District maintained workpapers on the prescribed state forms of their equivalent.

The School District written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a sample 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 sample of transportation contracts and purchases. Based on our sample, the School District complied with 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 sampling of transportation related purchases of goods and services.

Facilities and Capital Assets

During our review of the financial and accounting records for capital assets we noted the following.

Finding 2017 - 001:

The school district does not have a detailed accounting of the Capital Assets and the related depreciation schedules.

Recommendation:

That the district maintain a listing of the Capital Assets and the related depreciation schedules.

Miscellaneous

The School District complied with its most recent continuing disclosure agreements in relation to prior year bond issuances.

Follow-up on Prior Year Findings

In accordance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, our procedures included a review of all prior year findings reported in the prior year's Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance. All prior year findings have since been addressed and corrected.

Office of Fiscal Accountability and Compliance (OFAC) Findings

There were no Office of Fiscal Accountability and Compliance (OFAC) audit reports issued during the fiscal year ended June 30, 2017.

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,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia
Certified Public Accountant
Public School Accountant, No. 1011

April 10, 2018
Freehold, New Jersey

ADDITIONAL INFORMATION

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**PERTH AMBOY PUBLIC SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-2018 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		Reported on 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		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool - 3 Yrs	481.0	-	481.0	-	-	-	14.0	-	14.0	-	-	-	-	-	-	-	-	-	-
Half Day Preschool - 4 Yrs	598.0	-	598.0	-	-	-	18.0	-	18.0	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	816.0	-	816.0	-	-	-	24.0	-	24.0	-	-	-	-	-	-	-	-	-	-
One	847.0	-	847.0	-	-	-	25.0	-	25.0	-	-	-	-	-	-	-	-	-	-
Two	812.0	-	812.0	-	-	-	25.0	-	25.0	-	-	-	-	-	-	-	-	-	-
Three	798.0	-	798.0	-	-	-	25.0	-	25.0	-	-	-	-	-	-	-	-	-	-
Four	733.0	-	733.0	-	-	-	22.0	-	22.0	-	-	-	-	-	-	-	-	-	-
Five	695.0	-	695.0	-	-	-	21.0	-	21.0	-	-	-	-	-	-	-	-	-	-
Six	718.0	-	718.0	-	-	-	22.0	-	22.0	-	-	-	-	-	-	-	-	-	-
Seven	694.0	-	694.0	-	-	-	21.0	-	21.0	-	-	-	-	-	-	-	-	-	-
Eight	570.0	-	570.0	-	-	-	17.0	-	17.0	-	-	-	-	-	-	-	-	-	-
Nine	561.0	-	561.0	-	-	-	17.0	-	17.0	-	-	-	-	-	-	-	-	-	-
Ten	516.0	-	516.0	-	-	-	15.0	-	15.0	-	-	-	-	-	-	-	-	-	-
Eleven	484.0	-	484.0	-	-	-	14.0	-	14.0	-	-	-	-	-	-	-	-	-	-
Twelve	362.0	-	362.0	-	-	-	11.0	-	11.0	-	-	-	-	-	-	-	-	-	-
Subtotal	9,685.0	-	9,685.0	-	-	-	291.0	-	291.0	-	-	-	-	-	-	-	-	-	-
Special Ed - Elementary	525.0	-	525.0	-	-	-	16.0	-	16.0	-	-	-	-	-	9.0	7.0	7.0	7.0	-
Special Ed - Middle School	203.0	-	203.0	-	-	-	6.0	-	6.0	-	-	-	-	-	14.0	11.0	11.0	11.0	-
Special Ed - Middle School	188.0	-	188.0	-	-	-	6.0	-	6.0	-	-	-	-	-	38.0	29.0	29.0	29.0	-
Subtotal	916.0	-	916.0	-	-	-	28.0	-	28.0	-	-	-	-	-	61.0	47.0	47.0	47.0	-
Totals	10,601.0	-	10,601.0	-	-	-	319.0	-	319.0	-	-	-	-	-	61.0	47.0	47.0	47.0	-
Percentage Error					0%		0%		0%		0%		0%		0%		0%	0%	

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016**

	2017-2018 Application for State School Aid				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 LEP Low Income		Sample Selected from Workpapers		Verified to Application and Register	
	Income	Errors	Income	Errors	Workpapers	Errors	Application and Register	Errors	Income	Errors	Income	Errors	Workpapers	Errors	Application and Register	Errors
Full Day Preschool 3 Yrs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool 4 Yrs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	699.0	-	699.0	-	25.0	25.0	25.0	174.0	174.0	25.0	25.0	25.0	25.0	25.0	25.0	-
One	740.0	-	740.0	-	26.0	26.0	26.0	263.0	263.0	37.0	37.0	37.0	37.0	37.0	37.0	-
Two	697.0	-	697.0	-	25.0	25.0	25.0	190.0	190.0	27.0	27.0	27.0	27.0	27.0	27.0	-
Three	686.0	-	686.0	-	24.0	24.0	24.0	161.0	161.0	23.0	23.0	23.0	23.0	23.0	23.0	-
Four	615.0	-	615.0	-	22.0	22.0	22.0	115.0	115.0	16.0	16.0	16.0	16.0	16.0	16.0	-
Five	615.0	-	615.0	-	22.0	22.0	22.0	86.0	86.0	12.0	12.0	12.0	12.0	12.0	12.0	-
Six	637.0	-	637.0	-	23.0	23.0	23.0	96.0	96.0	14.0	14.0	14.0	14.0	14.0	14.0	-
Seven	615.0	-	615.0	-	22.0	22.0	22.0	80.0	80.0	11.0	11.0	11.0	11.0	11.0	11.0	-
Eight	562.0	-	562.0	-	20.0	20.0	20.0	120.0	120.0	17.0	17.0	17.0	17.0	17.0	17.0	-
Nine	588.0	-	588.0	-	21.0	21.0	21.0	137.0	137.0	19.0	19.0	19.0	19.0	19.0	19.0	-
Ten	533.0	-	533.0	-	19.0	19.0	19.0	167.0	167.0	24.0	24.0	24.0	24.0	24.0	24.0	-
Eleven	505.0	-	505.0	-	18.0	18.0	18.0	123.0	123.0	17.0	17.0	17.0	17.0	17.0	17.0	-
Twelve	385.0	-	385.0	-	14.0	14.0	14.0	62.0	62.0	9.0	9.0	9.0	9.0	9.0	9.0	-
Subtotal	7,877.0	-	7,877.0	-	281.0	281.0	281.0	1,774.0	1,774.0	251.0	251.0	251.0	251.0	251.0	251.0	-
Special Ed - Elementary	483.0	-	483.0	-	17.0	17.0	17.0	113.0	113.0	16.0	16.0	16.0	16.0	16.0	16.0	-
Special Ed - Middle School	199.0	-	199.0	-	7.0	7.0	7.0	19.0	19.0	3.0	3.0	3.0	3.0	3.0	3.0	-
Special Ed - High School	200.0	-	200.0	-	7.0	7.0	7.0	12.0	12.0	2.0	2.0	2.0	2.0	2.0	2.0	-
Subtotal	882.0	-	882.0	-	31.0	31.0	31.0	144.0	144.0	21.0	21.0	21.0	21.0	21.0	21.0	-
Totals	8,759.0	-	8,759.0	-	312.0	312.0	312.0	1,918.0	1,918.0	272.0	272.0	272.0	272.0	272.0	272.0	-
Percentage Error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation																
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Tested	Verified	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors
Reg. - Public Schools, col. 1	59.0	59.0	37.0	37.0	-	-	-	-	-	-	-	-	-	-	-	-
Reg - Sp Ed, col. 4	20.0	20.0	13.0	13.0	-	-	-	-	-	-	-	-	-	-	-	-
Transported - Non-Public, col. 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
AIL - Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed Spec, col. 6	84.0	84.0	53.0	53.0	-	-	-	-	-	-	-	-	-	-	-	-
Totals	163.0	163.0	103.0	103.0	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Error	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00%

PERTH AMBOY PUBLIC SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

	2017-2018 Application for State School Aid				Sample for Verification		
	Reported on A.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors	
Half Day Preschool 4 Yrs	-	-	-	-	-	-	-
Full Day Preschool 4 Yrs	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-
Full Day Kindergarten	27.0	27.0	-	18.0	18.0	-	-
One	10.0	10.0	-	7.0	7.0	-	-
Two	5.0	5.0	-	3.0	3.0	-	-
Three	9.0	9.0	-	6.0	6.0	-	-
Four	6.0	6.0	-	4.0	4.0	-	-
Five	5.0	5.0	-	3.0	3.0	-	-
Six	3.0	3.0	-	2.0	2.0	-	-
Seven	5.0	5.0	-	3.0	3.0	-	-
Eight	6.0	6.0	-	4.0	4.0	-	-
Nine	9.0	9.0	-	6.0	6.0	-	-
Ten	17.0	17.0	-	12.0	12.0	-	-
Eleven	11.0	11.0	-	7.0	7.0	-	-
Twelve	3.0	3.0	-	2.0	2.0	-	-
Subtotal	116.0	116.0	-	77.0	77.0	-	-
Special Ed - Elementary	6.0	6.0	-	4.0	4.0	-	-
Special Ed - Middle School	1.0	1.0	-	1.0	1.0	-	-
Special Ed - High School	-	-	-	-	-	-	-
Subtotal	7.0	7.0	-	5.0	5.0	-	-
Totals	123.0	123.0	-	82.0	82.0	-	-
Percentage Error	-	-	-	-	-	-	-

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EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2016-2017 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>224,855,027.55</u> (A)
Increased by:	
Transfer from Capital Outlay to Capital Projects	\$ <u> -</u> (A1a)
Transfer from Capital Reserve to Capital Projects	\$ <u> -</u> (A1a)
Transfer from General Fund to SRF for Preschool	\$ <u> 765,273.00</u> (A1a)
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2	\$ <u> 2,041,376.00</u> (A1b)
 2016-2017 Adjusted General Fund & Other State Expenditures {(A)-(A1)}	 \$ <u> 223,578,924.55</u> (A2)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u> 20,011,255.60</u> (A3)
Assets Acquired Under Capital Leases:	
General Fund 2017 Assets Acquired Under Capital Leases reported on Exhibit C-1a	\$ <u> -</u> (A4)
 Add: General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases:	
Assets Acquired Under Capital Leases in Fund 15 Reported on Exhibit C-1a	\$ <u> -</u> (A5)
 Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	 <u> 98.34%</u> (A6)
 General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	\$ <u> -</u> (A7)
 Total Assets Acquired Under Capital Leases [(A4)+(A7)]	\$ <u> -</u> (A8)
 2016-2017 General Fund Expenditures [(A-2)-(A-3)-(A-8)]	\$ <u> 203,567,668.95</u> (A9)
 2% of Adjusted 2016-2017 General Fund Expenditures [(A9) times .02]	\$ <u> 4,071,353.38</u> (A10)
 Enter Greater of (A10) or \$250,000	\$ <u> 4,071,353.38</u> (A11)
 Increased by: Allowable Adjustment *	\$ <u> 740,461.00</u> (K)
 Maximum Unassigned Fund Balance [(A11)+(K)]	\$ <u> 4,811,814.38</u> (M)

EXCESS SURPLUS CALCULATION (continued):

SECTION 2:

Total General Fund - Fund Balances @ 06/30/2017 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>121,030,978.93</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>6,302,569.31</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>18,846,864.00</u> (C3)
Other Restricted Fund Balances ****	\$ <u>54,115,982.44</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>29,618,981.00</u> (C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures (July 1, 2017- August 1, 2017)	\$ <u>-</u> (C6)*****
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	 \$ <u>12,146,582.18</u> (U)

SECTION 3

Restricted Fund Balance - Excess Surplus *** {(U)-(M)} IF NEGATIVE ENTER -0-	\$ <u>7,334,767.80</u> (E)
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>18,846,864.00</u> (C3)
Restricted Excess Surplus *** {(E)}	\$ <u>7,334,767.80</u> (E)
 Total [(C3) + (E)]	 \$ <u><u>26,181,631.80</u></u> (D)

Footnotes:

* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

(H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2015 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);

(J1) Extraordinary Aid;

(J2) Additional Nonpublic Transportation Aid;

(J3) Recognized current year School Bus Advertising Revenue; and

(J4) Family Crisis Transportation Aid.

Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ <u>-</u> (H)
Sale & Lease-back	\$ <u>-</u> (I)
Extraordinary Aid	\$ <u>740,461.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>-</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ <u>-</u> (J3)
Family Crisis Transportation Aid	\$ <u>-</u> (J4)
 Total Adjustments {(H)+(I)+J1)+(J2)+(J3)}	 \$ <u>740,461.00</u> (K)

EXCESS SURPLUS CALCULATION (continued):

SECTION 3 (continued):

- ** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- *** Amount entered must agree with the June 30, 2017 CAFR and Audit Summary Worksheet Line 90030
- **** Amount for Other Restricted Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not legally imposed by another type of government such as the judicial branch of government must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.
- ***** Increase in Assigned Fund Balance-Unreserved-Designated for Subsequent Year's expenditures July 1, 2017 to August 1, 2017 resulting from decrease in state aid after adoption of 2017-18 district budget.

Detail of Other Reserved Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$	-
Sale/Lease-Back Reserve	\$	-
Capital Reserve	\$	54,115,982.44
Maintenance Reserve	\$	-
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/Reserved Fund Balance Not Noted Above ****	\$	-
 Total Other Restricted/Reserved Fund Balance	 \$	 <u>54,115,982.44</u> (C4)

**PERTH AMBOY PUBLIC SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
YEAR ENDED JUNE 30, 2017**

SCHOOL DISTRICT

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2017 - 002:

That the district post all entries required to bring the general ledger accounting system in agreement with the prior year audit.

Finding 2017 - 003:

The treasurer's report and bank reconciliation reconcile to the district's general ledger accounting system.

Finding 2017 - 004:

That the general ledger accounting system be maintained accurately, making accrual adjustments when required throughout the year. Also, ending general ledger balances should be supported by the school district subsidiary ledgers and back-up documentation.

3. School Purchasing Programs

None

4. School Food Service

Finding 2017 - 005:

Management oversight is a crucial aspect of any sound internal control structure and should be in place throughout all operations of the school district.

Finding 2017 - 006:

Reconciliation should be performed accurately and tie into the general ledger accounting system.

Finding 2017 - 007:

The food service fund general ledger accounting system should be maintained using generally accepted accounting principles for proprietary fund accounting. This prescribed method of accounting requires accruals to be made.

Finding 2017 - 008:

The food service fund capital asset listing needs to be maintained and the general ledger accounting system should be updated to reflect the balances from the asset listing.

Finding 2017 - 009:

That the district establish a policy and procedure to regularly write-off uncollectable account receivable balances from district parents and those write-offs get recorded in the general ledger accounting system.

Finding 2017 - 010:

That the district establish a policy and procedure to regularly update the cash register software. All items available for purchase should be able to be selected by cashiers.

Finding 2017 - 014:

The Treasurer's Report should be reviewed and tied to the Corresponding Boards Secretaries Report and general ledger accounting system.

Recommendations (continued):

Finding 2017 - 015:

The Treasurer should perform an independent reconciliation of the district's bank balances to the accounting system. This reconciliation should act as a check and balance, in place to find any errors or misstatements in the district's bank reconciliations.

Finding 2017 - 016:

The school district should maintain an inventory listing that is updated in the financial records annually. The inventory should be performed at 6/30/17 and the general ledger accounting system should reflect the inventoried balance.

Finding 2017 - 017:

The school district should include proper supporting documentation to back- up all receipts. The back-up documentation should be sufficient enough to allow for reperformance of the transaction.

5. Student Body Activities

Finding 2017 - 011:

Management oversight is a crucial aspect of any sound internal control structure and should be in place throughout all operations of the school district.

Finding 2017 - 012:

The student activity fund general ledger accounting system should be maintained using generally accepted accounting principles for fiduciary fund accounting. All student activity accounts should be reconciled to the general ledger accounting system.

Finding 2017 - 013:

The school district should include proper supporting documentation to back- up all receipts. The back-up documentation should be sufficient enough to allow for reperformance of the transaction.

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

Finding 2017 - 001:

That the district maintain a listing of the Capital Assets and the related depreciation schedules.

9. Miscellaneous

Finding 2017 - 018:

Change funds should be returned to the food service bank account every year and should be returned for the same amount that is approved for use at the beginning of the year.

Finding 2017 - 019:

The Fresh Fruit and Vegetable Program should be recorded in the food service fund general ledger.

Finding 2017 - 020:

Register counts should be done independent from the software system reconciling of the cash collected. The deposits should be made and the reconciliation to the software system should be performed independently at the district food service office. The correct approved amount change fund should be returned to the cash register after the deposit is made.

10. Status of Prior Year Audit Findings/Recommendations

All prior year findings have since been addressed and corrected.