

# **BOROUGH OF STONE HARBOR BOARD OF EDUCATION**

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

**June 30, 2017**



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

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# FORD - SCOTT

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## Report of Independent Auditors

Honorable President and  
Members of the Board of Education  
Borough of Stone Harbor School District  
County of Cape May, 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 Borough of Stone Harbor School District in the County of Cape May for the year ended June 30, 2017, and have issued our report thereon dated November 17, 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 solely for the information and use of the Borough of Stone Harbor 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.

*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**

**November 17, 2017**

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

### **Scope of Audit**

The audit covered the financial transactions of the 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 (NJSA 18A:17-26,18A:17-32, 18A:13-13)**

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT</u>
Patricia Wagner	Treasurer	\$ 150,000
Linda Fiori	Board Secretary/ School Business Administrator	50,000

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

#### **Examination of Claims**

A test 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, the 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 her order for the full amount of each payroll.

### Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with NJAC 6:23A-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 specifically targeted administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

#### **A. General Classification Findings**

None

#### **B. Administrative Classification Findings**

None

### Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed no issues.

### Treasurer's Records

The records of the treasurer were in satisfactory condition.

### Elementary and Secondary Education Act/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001.

The District received no ESEA/NCLB funds during the fiscal year ended June 30, 2017.

### 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 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.

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

Not applicable.

### **School Purchasing Programs**

#### Contracts and Agreements Requiring Advertisement for Bids

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

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to the section.
- b. Commencing in the fifth year after the year in which P.L. 1999, c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of



the index rat as that term is defined in NJS 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of NJSA 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other.

The board of education may, by resolution approved by a majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had prior negative experience with the bidder."

Effective July 1, 2005 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are \$29,000 and \$18,800 respectively. As permitted by NJSA 18A:18A-3a, the Board of Education has appointed a Qualified Purchasing Agent and increased the bid threshold to \$40,000

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine if any clear-cut violations existed.

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 in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

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. My examination did not reveal any purchases through the use of State contracts.

### **Student Body Activities**

The financial transactions of the student activity funds were maintained in a satisfactory condition. Cash receipts were promptly deposited and cash disbursements had adequate supporting documentation.

### **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, low-income, and bi-lingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers. The information that was included on the workpapers was verified. The results of our procedures are also 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.

### **Follow-up on Prior Years' Findings**

Not applicable

### **Acknowledgement**

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

**STONE HARBOR SCHOOL DISTRICT**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 14, 2016**

**SCHEDULE OF AUDITED ENROLLMENTS**

	2017-2018 Application for State School Aid				Sample for Verification				Private Schools for Disabled			
	Reported on A.S.A. On Roll	Reported on Workpapers On Roll	Errors Full	Errors Shared	Reported on Selected from Workpapers Full	Reported on Selected from Workpapers Shared	Verified per Registers On Roll Full	Verified per Registers On Roll Shared	Reported on A.S.A. as Private Schools	Sample Verification	Sample Verified	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One	20	20	-	-	20	-	20	-	-	-	-	-
Two	14	14	-	-	14	-	14	-	-	-	-	-
Three	10	10	-	-	10	-	10	-	-	-	-	-
Four	13	13	-	-	13	-	13	-	-	-	-	-
Five	16	16	-	-	16	-	16	-	-	-	-	-
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14+CR.)												
Subtotal	73	73	-	-	73	-	73	-	-	-	-	-
Special Ed - Elementary	2	2	-	-	2	-	2	-	-	-	-	-
Special Ed - Middle School												
Special Ed - High School												
Subtotal	2	2	-	-	2	-	2	-	-	-	-	-
Co. Voc. - Regular												
Co. Voc. - FT Post Sec.												
Totals	75	75	-	-	75	-	75	-	-	-	-	-
Percentage Error			0.00%	0.00%				0.00%	0.00%			0.00%

**STONE HARBOR SCHOOL DISTRICT**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 14, 2016**

**SCHEDULE OF AUDITED ENROLLMENTS**

	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	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
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%			0.00%			0.00%		

**Transportation**

	Reported on DTRTS by DOE/County		Reported on DTRTS by District		Tested		Verified		Errors
	14	14	14	14	14	14	14		
Reg. - Public Schools, col. 1	2	2	2	2	2	2	2	2	-
Reg. - Sp Ed, col. 4	3	3	3	3	3	3	3	3	-
Transported - Non-Public, col. 3	19	19	19	19	19	19	19	19	-
Special Ed Spec, col. 6	-	-	-	-	-	-	-	-	-
Totals	24	24	24	24	24	24	24	24	0.00%

Reported Recalculated  
5.5 5.5  
5.5 5.5  
4.8 4.8

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

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

SCHEDULE OF AUDITED ENROLLMENTS

	2017-2018 Application for State School Aid		Sample for Verification	
	Reported on A.S.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income	Sample Selected from Workpapers	Verified to Application 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%		0.00%

**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

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

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$3,139,277	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	0	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	0	(B1b)
Transfer from General Fund to SRF for Pre-K Regular	0	(B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	0	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	(265,099)	(B2a)
Assets Acquired Under Capital Leases	<u>0</u>	(B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$2,874,178</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	<u>57,484</u>	(B4)
Enter greater of (B4) or \$250,000	250,000	(B5)
Increased by: Allowable Adjustment *	<u>348</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		<u>\$250,348</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	1,068,129	C
Decreased by:		
Year-end Encumbrances	(43,301)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	0	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	(223,824)	(C3)
Other Restricted Fund Balances ****	(555,306)	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	522	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2017-August 1,2017	<u>0</u>	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		<u>\$246,220</u> (U1)

**SECTION 3**

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

**Recapitulation of Excess Surplus as of June 30, 2016**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>223,824</u>	(C3)
Reserved Excess Surplus ***[(E)]	<u>0</u>	(E)
Total [(C3) + (E) + (F)]	<u>\$223,824</u>	(D)

\* This adjustment line (as detailed below) is to be utilized for Federal Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), Extraordinary Aid, and Additional and Nonpublic School Transportation Aid; recognized current year School Bus Advertising Revenue; and 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	\$0	(H)
Sale & Lease-back	\$0	(I)
Extraordinary Aid	\$0	(J1)
Additional Nonpublic School Transportation Aid	\$348	(J2)
Current Year School Bus Advertising Revenue Recognized	\$0	(J3)
Family Crisis Transportation Aid	<u>\$0</u>	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$348</u>	(K)

\*\* This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amount must agree to the June 30, 2017 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

\*\*\*\* 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.

\*\*\*\*\* 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. Refer to Commissioner's Broadcast and to page I-4.2 of this Audit Program.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:

Approved unspent separate proposal	<u>\$0</u>
Sale/lease-back reserve	<u>\$0</u>
Capital reserve	<u>\$165,306</u>
Maintenance reserve	<u>\$140,000</u>
Emergency reserve	<u>\$250,000</u>
Tuition reserve	<u>\$0</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 reserves	<u>\$0</u>
Other Restricted Fund Balance not noted above****	<u>\$0</u>
Total Other Reserved Fund Balance	<u>\$555,306</u> (C4)