

**TOWNSHIP OF UPPER
BOARD OF EDUCATION**

**AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
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
Township of Upper School District
County of Cape May, 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 Upper Township School District in the County of Cape May for the year ended June 30, 2017, and have issued our report there on dated October 27, 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 Upper Township Board of Education's management and the New Jersey State 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

October 27, 2017

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

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

Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Laurie Ryan	Board Secretary / School Business Administrator	\$ 10,000.00
Carroll A. Bailey	Treasurer	275,000.00

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made proper adjustments to the billings to sending districts for the actual per pupil costs 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 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 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. No discrepancies were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of 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 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.

- A. *General Classification Findings*
- B. *Administrative Classification Findings*

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 in all funds except for the Debt Service Fund as noted below.

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 reconciliations were performed.

All cash receipts were promptly deposited.

The Treasurer's Records were in agreement with the Board Secretary.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-16 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with one exception noted. 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 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 (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 Special Federal and/or State Projects revealed no areas of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms 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 expenditures 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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

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(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 2016-2017.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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.

The results of my examination indicated that no individual payments, contracts, or agreements were 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.

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

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.

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.

Ford, Scott & Associates, L.L.C.
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October 27, 2017

UPPER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016

SCHEDULE OF AUDITED ENROLLMENTS

	2016-2017 Application for State School Aid						Sample for Verification						Private School for Disabled						
	Reported on A.S.S.A. On Roll		Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Register On Roll		Reported on A.S.S.A. as Private Schools		Sample Verification		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool	33		33		-		6		6		-		-		-		-		
Full Day Preschool	130		130		-		24		24		-		-		-		-		
Half Day Kindergarten	128		128		-		24		24		-		-		-		-		
Full Day Kindergarten	146		146		-		27		27		-		-		-		-		
One	142		142		-		27		27		-		-		-		-		
Two	119		119		-		22		22		-		-		-		-		
Three	148		148		-		28		28		-		-		-		-		
Four	128		128		-		24		24		-		-		-		-		
Five	146		146		-		27		27		-		-		-		-		
Six	140		140		-		26		26		-		-		-		-		
Seven																			
Eight																			
Nine																			
Ten																			
Eleven																			
Twelve																			
Post-Graduate																			
Adult H.S. (16+CR.)																			
Adult H.S. (1-14 CR.)																			
Subtotal	1,260	-	1,260	-	-	-	235	-	235	-	-	-	-	-	-	-	-	-	
Special Ed-Elementary	88		88		-		17		17		-		-		-		-		
Special Ed-Middle School	66		66		-		12		12		-		-		1		1		
Special Ed-High School																			
Subtotal	154	-	154	-	-	-	29	-	29	-	-	-	-	-	3	-	3	-	
Co. Voc.-Regular																			
Co. Voc.Ft. Post Sec.																			
Totals	1,414	-	1,414	-	-	-	264	-	264	-	-	-	-	-	3	-	3	-	
Percentage Error					0%						0%								0%

UPPER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENTS AS OF OCTOBER 18, 2016

SCHEDULE OF AUDITED ENROLLMENTS

	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 Application and Register	Sample Errors
Half Day Preschool			-									
Full Day Preschool			-									
Half Day Kindergarten			-									
Full Day Kindergarten			-									
One	15	15	-	9	9	-	3	3	-	3	3	-
Two	22	22	-	14	14	-	4	4	-	3	3	-
Three	15	15	-	9	9	-						
Four	21	21	-	13	13	-						
Five	10	10	-	6	6	-						
Six	15	15	-	9	9	-						
Seven	17	17	-	11	11	-	1	1	-	1	1	-
Eight	14	14	-	9	9	-						
Nine	19	19	-	12	12	-	1	1	-	1	1	-
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+OR.)												
Adult H.S. (1-14 CR.)												
Subtotal	148	148	-	92	92	-	9	9	-	8	8	-
Special Ed-Elementary	25	25	-	16	16	-						
Special Ed-Middle School	18	18	-	11	11	-						
Special Ed-High School												
Subtotal	43	43	-	27	27	-						
Co. Voc.-Regular	191	191	-	119	119	-	9	9	-	8	8	-
Co. Voc.Ft. Post Sec.												
Totals	191	191	0%	119	119	0%	9	9	0%	8	8	0%
Percentage Error												

Transportation

	Reported on DRTS by DOE/county		Reported on DRTS by District		Transportation	
	Reported	Errors	Reported	Errors	Tested	Verified
Reg.-Public Schools, col. 1	1,630	-	1,630	-	261	261
Reg-SpEd, col. 4	3	-	3	-	-	-
Transported-Non-Public, col.3	-	-	-	-	-	-
Public AIL	-	-	-	-	-	-
Non Public AIL	51	-	51	-	8	8
Special Ed Spec, col. 6	55	-	55	-	9	9
Totals	1,739	-	1,739	-	278	278
Percentage Error						0%

Reg Avg. (Mileage)= Regular Including Grade PK students (Part A) Reported
 Reg. Avg. (Mileage)= Regular Excluding Grade PK students (Part B) 6.9
 Special Avg.= Special Ed with Special Needs 6.9
9.0

UPPER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
0

SCHEDULE OF AUDITED ENROLLMENTS

	Resident LEP NOT Low Income		Sample for Verification		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application 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					#DIV/0!

**UPPER TOWNSHIP 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	\$ <u>39,148,068.15</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ <u> -</u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u> -</u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ <u> -</u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ <u> -</u>	(B1d)
Decreased By:		
On-Behalf TPAF Pension & Social Security	\$ <u>2,825,053.28</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u> -</u>	(B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$ <u><u>36,323,014.87</u></u>	(B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ <u>726,460.30</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>726,460.30</u>	(B5)
Increased by: Allowable Adjustment*	\$ <u>98,337.00</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ <u><u>824,797.30</u></u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 06/30/16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>6,709,434.26</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ <u>1,251,984.62</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u> </u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>1,487,010.00</u>	(C3)
Other Restricted Fund Balances ****	\$ <u>2,214,968.00</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u> </u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u><u>1,755,471.64</u></u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 -	\$ <u>930,674.34</u>	(E)
<u>Recapitulation of Excess Surplus as of June 30, 2016:</u>		
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>1,487,010.00</u>	(C3)
Reserved Excess Surplus ***	\$ <u>930,674.34</u>	(E)
Total Excess Surplus [(C3) + (E)]	\$ <u><u>2,417,684.34</u></u>	(D)

**UPPER TOWNSHIP 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	\$ 89,463.00 (J1)
Additional Nonpublic School Transportation Aid	\$ 8,874.00 (J2)
Current Year School Bus Advertising Revenue	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
 Total Adjustments [(H)+(I)+(J1) + (J2)]	 \$ <u>98,337.00</u> (K)

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

*** Amounts must agree to the June 30, 2016 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.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ 1,084,968.00
Maintenance reserve	\$ 1,130,000.00
Emergency Reserve	\$ _____
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - CY	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - PY	\$ _____
Impact Aid General Fund Reserve (Sec. 8002 and 8003)	\$ _____
Impact Aid General Fund Reserve (Sec. 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above] ****	\$ _____
 Total Other Restricted Fund Balance	 \$ <u>2,214,968.00</u> (C4)

