

**CITY OF
VENTNOR
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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Tax ID #

21-6000328

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Report of Independent Auditors

Honorable President and
Members of the Board of Education
City of Ventnor School District
County of Atlantic, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the general purpose financial statements of the Board of Education of the City of Ventnor School District in the County of Atlantic for the year ended June 30, 2017, and have issued our report thereon dated October 13, 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 and use of the management of the City of Ventnor Board of Education, the New Jersey Department of Education (the cognizant audit agency) and other state and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

Nancy Strolla

Certified Public Accountant

Licensed Public School Accountant

No. 2426

October 13, 2017

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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 and the Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

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

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

Name	Position	Amount
Terri Nowotny	Board Secretary/ School Business Administrator	\$250,000

Tuition Charges

The District does not receive students from any other District, therefore no adjustments were required.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

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

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

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

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 6A:23-2.2(g) as part of our test of transactions of randomly selected expenditures 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-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 Findings

During our testing of transactions there were no significant exceptions found relating to misclassifications.

B. Administrative Classification Findings

During our testing of transactions there were no significant exceptions found relating to administrative classifications.

Board Secretary's Records

The following items were noted in our examination of the financial and accounting records maintained by the board secretary.

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. indicated 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 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 Special Federal and/or State Projects indicated no areas of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 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.

Nonpublic State Aid

Records were completed in accordance with Departmental instructions.

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 the 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 purchase agent is qualified pursuant to subsection b 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 general delegation of the power to negotiate and award such contract 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 rate as the term is defined in NJS 18A:18 A-2, and shall round the adjustment to 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 the period of 24 consecutive months, except that contract for professional services pursuant to paragraph (1) of subsection a. of NJS 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."

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 whether any clear-cut violations existed.

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, 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.

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 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's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

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 for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review.

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

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 nonprofit status of the school food service.

Cash receipts and bank records were reviewed for timely deposit.

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

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

After School Program

Exhibits reflecting After School Program operations are included in the section entitled Enterprise Funds, Section B. The records maintained for the after school program were in satisfactory condition.

Student Body Activities

No exceptions were noted during our review of the student activity funds.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. 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 included on the work papers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained work papers on the prescribed state forms or their equivalent.

The district's written procedures appear to be adequate 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 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 did comply 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

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action was taken on all prior year findings.

Acknowledgment

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.

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF VENTNOR SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016**

	2016-2017 Application for State School Aid				Sample for Verification				Private Schools for Disabled												
	Reported on A.S.S.A. on Roll	Workpapers on Roll	Full	Shared	Errors	Full	Shared	Sample Selected from Workpapers	Full	Shared	Registers Verified per Register on Roll	Full	Shared	Errors per Register on Roll	Full	Shared	Sample for Verification	Full	Shared	Errors	
Half Day Preschool	24	24			-			8			8			-							
Full Day Preschool					-									-							
Half Day Kindergarten	61	74			-			20			20			-							
Full Day Kindergarten	74	65			-			25			25			-							
One	65	63			-			22			22			-							
Two	63	82			-			21			21			-							
Three	82	52			-			17			17			-							
Four	52	65			-			22			22			-							
Five	65	70			-			22			22			-							
Six	70				-			23			23			-							
Seven					-									-							
Eight					-									-							
Nine					-									-							
Ten					-									-							
Eleven					-									-							
Twelve					-									-							
Post Graduate					-									-							
Adult H.S. (15+CR.)					-									-							
Adult H.S. (1-14 CR.)					-									-							
Subtotal	621	621			-			207			207			-							
Special Ed - Elementary	49	49			-			16			16			-							
Special Ed - Middle School	28	28			-			9			9			-							
Special Ed - High School					-									-							
Subtotal	77	77			-			25			25			-							
Totals	698	698			-			232			232			-							
Percentage					0.00%						0.00%										0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF VENTNOR SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016**

	Resident Low Income		Sample for Verification		Resident LEP Low Income		Sample for Verification	
	Reported on ASSA as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Reported on ASSA as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores, Applications, and Register
Half Day Preschool	-	-	-	-	-	-	-	-
Full Day Preschool	-	-	-	-	-	-	-	-
Half Day Kindergarten	32	32	14	14	2	-	2	2
One	49	49	22	22	9	-	9	9
Two	49	49	22	22	3	-	3	3
Three	45	45	20	20	5	-	5	5
Four	57	57	25	25	3	-	3	3
Five	36	36	16	16	-	-	-	-
Six	34	34	15	15	1	-	1	1
Seven	45	45	20	20	4	-	4	4
Eight	50	50	22	22	1	-	1	1
Nine	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-
Subtotal	397	397	176	176	28	-	28	28
Special Ed - Elementary	32	32	15	15	-	-	-	-
Special Ed - Middle School	19	19	8	8	-	-	-	-
Special Ed - High School	51	51	23	23	-	-	-	-
Totals	448	448	199	199	28	-	28	28
Percentage Error		0.00%		0.00%		0.00%		0.00%
Transportation								
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Tested	Verified	Errors			
Reg.-Public Schools, col. 1	389	389	160	160	-			
Reg.-SpEd, col. 4	28	28	12	12	-			
Transported - Non-Public, col. 3	29	29	12	12	-			
NIP ALL	27	27	11	11	-			
Special Needs, col. 6	5	5	2	2	-			
Totals	478	478	197	197	-			
Percentage Error		0.00%		0.00%				
						Avg. Mileage - Regular Excluding Grade PK students	Reported	Calculated
						Avg. Mileage - Special Ed with Special Needs	5.4	5.4
							9.2	9.2

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF VENTNOR SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016**

	Resident/LEP NOT Low Income	Reported on ASSA as NOT Low Income	Workpapers Income	Errors	Sample Selected from Workpapers	Sample for Verification Verified to Test Scores and Register	Sample Errors
Half Day Preschool	-	-	-	-	-	-	-
Full Day Preschool	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-
One	2	2	-	-	2	2	-
Two	1	1	-	-	1	1	-
Three	-	-	-	-	-	-	-
Four	1	1	-	-	1	1	-
Five	-	-	-	-	-	-	-
Six	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-
Subtotal	4	4	-	-	4	4	-
Special Ed - Elementary	-	-	-	-	-	-	-
Special Ed - Middle School	-	-	-	-	-	-	-
Special Ed - High School	-	-	-	-	-	-	-
Totals	4	4	-	-	4	4	-
Percentage Error				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	\$	21,578,994	(B)
Increased by:			
Transfer to Food Service Fund		-	(B1a)
Transfer from Capital Outlay to Capital Projects Fund		-	(B1b)
Transfer from Capital Reserve to Capital Projects Fund		140,200	(B1c)
Decreased by:			
On-Behalf TPAF Pension & Social Security		(1,845,401)	(B2a)
Assets Acquired Under Capital Leases		-	(B2b)
Adjusted 16-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$	<u>19,873,793</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]		<u>397,476</u>	(B4)
Enter greater of (B4) or \$250,000		397,476	(B5)
Increased by: Allowable Adjustment *		<u>54,921</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	<u>452,397</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	\$	3,542,702	C
Decreased by:			
Year-end Encumbrances		(6,849)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		-	(C2)
Legally Restricted-Excess Surplus - Designated for Subsequent Year's Expenditures ** Year's Expenditures		(962,997)	(C3)
Other Restricted Fund Balances ****		(1,294,844)	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures		-	(C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$	<u>1,278,012</u>	(U1)

SECTION 3

Reserved Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - (825,616 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** 962,997 (C3)
 Reserved Excess Surplus ***[(E)] 825,616 (E)
 Total [(C3) + (E) + (F)] 1,788,613 (D)

* 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), 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		44,293	(J1)
Additional Nonpublic School Transportation Aid		10,628	(J2)
Unbudgeted TPAF Wage Freeze Grant Funding		-	(J3)
		<u>-</u>	
Total Adjustments [(H)+(I)=(J1)+(J2)]	\$	54,921	(K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amount must agree to the June 30, 2017 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 10024.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal

Capital outlay for a district with a capital outlay cap waiver

Sale/lease-back reserve

Capital reserve \$ 1,185,144.00

Maintenance Reserve 109,700.00

Emergency Reserve

Waiver offset reserve

Tuition reserve

Other state/government mandated reserves

Other Restricted Fund Balance not noted above ****

Total Other Reserved Fund Balance \$ 1,294,844.00

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