

REVISED
2/20/19

BOARD OF EDUCATION
ELMER BOROUGH SCHOOL DISTRICT
COUNTY OF SALEM
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS-
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JULY 31, 2017

ELMER BOROUGH SCHOOL DISTRICT

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Elmer Borough School District
County of Salem
Elmer, New Jersey 08318

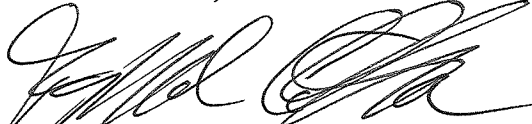
We have audited, in accordance with generally accepted audit standards and **Government Auditing Standards** issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Borough of Elmer School District in the County of Salem for the one month ended July 31, 2017, and have issued our report thereon dated January 22, 2019.

As part of our audit, we performed procedures required by the District Administration and Finance Office, 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 issued in conjunction with the Comprehensive Annual Financial Report of the Board of Education of the Borough of Elmer School District for the one month ending July 31, 2017 and is intended for the information of the 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,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant

No. 915
January 22, 2019

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education, the records of the Scholarship Fund and Special Revenue Fund 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's Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Suzanne Fox Abdill	School Board Administrator/Board Secretary	\$ 10,000

Tuition Charges - NONE

District Internal Control Policies

District boards of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. NJAC 6A:23A-6.4 requires that the District's internal control policies include specific requirements at NJAC 6A:23A-6.5 through 6.13.

All Internal Control Policies were found in accordance with NJAC 6A:23A-6.5 through 6.13.

Financial Planning, Accounting and Reporting

Examination of Claims - NONE – Paid during the one month ended July 31, 2017.

Certification of Income Tax Compliance – NONE REQUIRED

Payroll Account

As all duties are performed on a shared service basis, no salaries were paid and therefore, a Payroll Account was not needed.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of July 31, 2017 and it was determined that no blanket purchase orders were included in accounts payable. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for proprietary and to determine that goods were received and services were rendered as of July 31, 2017.

Financial Planning, Accounting and Reporting (Continued)

Obligations of Federal Grant Awards and Requests for Reimbursement of Expenditures Against Those Federal Grants Awards

There were no grants during the month ended July 31, 2017.

Classification of Expenditures

No budget expenditures were reflected in the one month ended July 31, 2017

A. General Classification Findings - None

B. Administrative Classification Findings - None

Board Secretary's Records

The financial records, books of accounts maintained by the Secretary were in satisfactory condition.

The general fixed asset records were adjusted for transfers of general fixed assets to Pittsgrove Township Board of Education as of July 31, 2017.

Treasurer's Records

Cash reconciliations for the general operating account and Scholarship account were prepared as per N.J.S.A.18A:17-9.

All cash receipts were promptly deposited.

Cash reconciliations were in agreement with the records of the Board Secretary.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (E.S.S.A.)

There were no E.S.E.A. grants during the month ending July 31, 2017 and therefore, financial exhibits and/or a Special Revenue Section was not required in the **CAFR**.

Other Special Federal and/or State Projects

There were no special projects approved during the one month ended July 31, 2017.

Our audit of federal and state funds indicated that no obligations or expenditures were incurred during the month ended July 31, 2017.

There were no areas of noncompliance with regard to special revenues.

Financial Planning, Accounting and Reporting (Continued)

T.P.A.F. Reimbursement – None Required

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids - None

School Food Service – None

Student Body Activities - None

Scholarship Fund – To be transferred to Pittsgrove Township Board of Education

Facilities and Capital Assets

Land, building and equipment were turned over to the Pittsgrove Township School District under the terms of a long-term (20 year) building lease agreement, as the receiving District.

Testing for Lead of all Drinking Water in Educational Facilities – N/A

School District Fiscal Accountability Act

The District ended the June 30, 2011 fiscal year with a \$272,243 general fund deficit. It also became clear to the District Officials that the amounts budgeted in the General Fund for 2011-2012 would not be sufficient to provide a thorough and efficient education. The New Jersey State Legislature passed the “School District Fiscal Accountability Act” pursuant to N.J.S.A. 18A:7A-56, which provided \$212,239 in advanced State Aid in 2012-13, \$514,450 in 2013-14, \$577,037 in 2014-15, \$668,125 in 2015-16, \$825,761 in 2016-17, and none in the month ending July 31, 2017, to cover a portion of the deficit. The Legislation specifically required the advance state aid payment to be recorded as revenue for budget purposes in the school year in which the advance state aid payment is provided. The payment was recorded in long-term debt for GAAP purposes on Exhibit A-1. The Advanced State Aid was to be repaid by the School District through automatic reductions in state aid provided to the School District in subsequent years. While by statute, the term of the repayment shall not exceed ten years, the remaining balance of \$2,256,161 was forgiven as of July 31, 2017 and the remaining balance of \$620,000 will be paid to the State Department of Education over a ten year period by the Pittsgrove Township School District.

Merger of the Elmer School District with the Pittsgrove Township School District

Pursuant to NJSA 18A:7-8 and 18A:8-43, the New Jersey Legislature has approved a plan to eliminate the Non operating Elmer Board of Education, as well as to provide for the education of children from Elmer Borough in the Pittsgrove Township School District. This plan calls for the merger of the aforementioned school districts, which currently have a sending-receiving relationship. The plan submitted by the Executive County Superintendent is effective as of July 31, 2017 and recommends that the 2017-2018 tax levy be allocated based on the approved budgets for 2017-2018. Thereafter, the levy will be apportioned based on the proportion of enrolled students from each municipality, in order to result in the least fiscally disruptive tax levy allocation.

Merger of the Elmer School District with the Pittsgrove Township School District

From August 1, 2017 to December 31, 2018, the new combined school district will consist of nine elected board members, with staggered three year terms from Pittsgrove and one Executive County Superintendent approved member from Elmer. Beginning with the 2018 election, all nine seats will be with staggered terms and elected at large (available) for Elmer and Pittsgrove residents. The plan also calls for the existing debt of Pittsgrove, as of June 30, 2017, to be the responsibility of Pittsgrove Board of Education, with any new debt becoming the responsibility of the combined district, as per the recommended allocation method.

As part of the merger plan, \$620,000 will be paid to the NJ Department of Education through ten (10) \$62,000 annual payments from the Pittsgrove Board of Education. This expenditure is based on the appraised value of the Elmer School that was purchased by the Pittsgrove School District. Beginning with the 2018-2019 budget, the recommended tax levy apportionment methodology will be based on the 12.664% Elmer enrollment and the 88.759% enrollment of Pittsgrove.

In accordance with NJSA 18A:18-49, the final audit herein, for the Elmer Borough School District, was conducted as of the one month ended July 31, 2017.

Follow-up on Prior Years' Findings

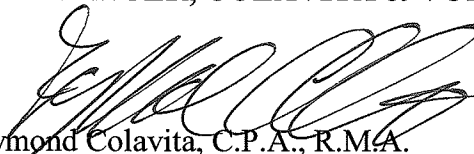
In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action was taken on prior year findings.

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.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.


Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

SCHEDULE OF AUDITED ENROLLMENTS

**ELMER SCHOOL DISTRICT
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	2018-2019 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		Sample Selected From Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported On A.S.S.A. as			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	Sample for Verification	Sample Verified	Sample Errors
Full Day Kindergarten																
One																
Two																
Three																
Four																
Five							N/A									
Six																
Seven																
Eight																
Nine																
Ten																
Eleven																
Twelve																
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Special Ed - Elementary																
Special Ed - Middle																
Special Ed - High																
Subtotal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Percentage Error					0.00%	0.00%					0.00%	0.00%				0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**ELMER BOROUGH SCHOOL DISTRICT
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	Reported On A.S.S.A. as Low Income	Reported On Workpapers as Low Income	Errors	Sample Selected From Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected From Workpapers	Verified to Test Score and Register	Sample Errors
Full Day Kindergarten												
One												
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Subtotal	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0
Special Ed - Elementary												
Special Ed - Middle												
Special Ed - High												
Subtotal	0.00	0.00	0.00	0	0	0	0	0	0	0	0	0
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

N/A

TRANSPORTATION

	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
							<u>Reported</u>	<u>Re-Calculated</u>
Reg. - Public Schools								
Reg. - Special Ed.								
ALL-Non Public								
Transported - Non-Public								
Special Needs - Public								
Totals	0	0	0	0	0	0		
Percentage Error					<u>0.00%</u>			

Avg. Mileage - Regular Including Grade PK students
Avg. Mileage - Regular Excluding Grade PK students
Avg. Mileage - Special Ed with Special Needs

SCHEDULE OF AUDITED ENROLLMENTS

ELMER SCHOOL DISTRICT
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Report On A.S.S.A. as NOT Low Income</u>	<u>Report On Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected From Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten						
One						
Two						
Three						
Four						N/A
Five						
Six						
Seven						
Eight						
Subtotal	-	-	-	-	-	-
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

ELMER BOROUGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR	\$ _____	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	_____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	_____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	_____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	_____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	_____	(B2a)
Assets Acquired Under Capital Leases	_____	(B2b)
 Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)]	 _____	 (B3)
 2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	 _____	 (B4)
Enter Greater of (B4) or \$250,000	250,000	(B5)
Increased by: Allowable Adjustment*	_____	(K)
 Maximum Unassigned/Undesignated-Unreserved Fund Balance[(B5)+(K)]		 \$ <u>250,000</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>56,252</u>	(C)
Decreased by:		
Year-end Encumbrances	_____	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	_____	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	_____	(C3)
Other Restricted Fund Balances****	_____	(C4)
Assigned Fund balance Unreserved - Designated for Subsequent Year's Expenditures	_____	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018 - August - 1, 2018	_____	(C6) *****
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		 \$ <u>56,252</u> (U1)

**ELMER BOROUGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION**

SECTION 3

Section 1

Restricted Fund Balance- Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ _____ (E)

Recapitulation of Excess Surplus as of July 31, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	-	(C3)
Reserved Excess Surplus ***[(E)]	-	(E)
Total Excess Surplus [(C3) + (E)]	\$ _____	(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, 2016 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 & Lease-Back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid.

Notes to auditor: 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	\$ _____	(H)
Sale & Lease-Back	_____	(I)
Extraordinary Aid	_____	(J1)
Additional Nonpublic School Transportation Aid	_____	(J2)
Current Year School Bus Advertising Revenue Recognized	_____	(J3)
Family Crisis Transportation Aid	_____	(J4)
Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)]	\$ _____	(K)

- ** This amount represents the July 31, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- *** Amounts must agree to the July 31, 2017 CAFR and 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 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 2018-19 district budget. Refer to Commissioner's Broadcast of July 13, 2018 at the NJDOE Broadcast webpage <https://homerroom5.doe.state.nj.us/broadcasts/> and to page 1-4.2 of this Audit Program.

Detail of Other Restricted Fund Balance

Statutory restrictions:		
Approved unspent separate proposal	\$ _____	
Sale/lease-back reserve	_____	
Capital reserve	_____	
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 8007 and 8008)	_____	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	_____	
Other state/government mandated reserve	_____	
[Other Restricted Fund Balance not noted above] ****	_____	
Total Other Restricted Fund Balance	\$ _____	(C4)

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended July 31, 2017

ELMER BOROUGH BOARD OF EDUCATION

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Charter School Enrollment System(CHE) (Applicable to audits of charter schools)

None

8. Pupil Transportation

None

9. Facilities and Capital Assets

None

10. Miscellaneous

None

Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.