

**CITY OF ESTELL MANOR
SCHOOL DISTRICT**

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

June 30, 2018

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

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
City of Estell Manor School District
County of Atlantic, 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 City of Estell Manor School District in the County of Atlantic for the year ended June 30, 2018, and have issued our report thereon dated January 25, 2019.

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 City of Estell Manor 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.

Very truly yours,

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

January 25, 2019

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
Joseph Rodio	Board Secretary/ School Business Administrator	\$148,000
Debra D'Amore	Treasurer	\$200,000

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 a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

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 records of the Board Secretary were in satisfactory condition.

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.

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 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."

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 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.

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (Nutri-Serve) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC addendum were reviewed and audited. The FSMC contract includes a management fee but does not include an operating results provision.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed, 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.

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.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2017 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 2017-2018 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 ESTELL MANOR SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	2018-2019 Application for State School Aid						Sample for Verification												
	Reported on ASSA on Roll			Reported on Workpapers on Roll			Errors			Sample Selected from Workpapers			Verified per Registers on Roll			Errors per Registers on Roll			
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		
Half Day Preschool																			
Full Day Kindergarten	21	-		21	-		-	-	-	-	-	13	-	-	-	-	-	-	-
One	19	-		19	-		-	-	-	-	-	12	-	-	-	-	-	-	-
Two	18	-		18	-		-	-	-	-	-	11	-	-	-	-	-	-	-
Three	11	-		11	-		-	-	-	-	-	7	-	-	-	-	-	-	-
Four	20	-		20	-		-	-	-	-	-	12	-	-	-	-	-	-	-
Five	19	-		19	-		-	-	-	-	-	12	-	-	-	-	-	-	-
Six	17	-		17	-		-	-	-	-	-	11	-	-	-	-	-	-	-
Seven	10	-		10	-		-	-	-	-	-	6	-	-	-	-	-	-	-
Eight	26	-		26	-		-	-	-	-	-	16	-	-	-	-	-	-	-
Subtotal	161	-		161	-		-	-	-	-	-	100	-	-	-	-	-	-	-
Special Ed Elementary	15	-		15	-		-	-	-	-	-	9	-	-	-	-	-	-	-
Special Ed Middle School	8	-		8	-		-	-	-	-	-	5	-	-	-	-	-	-	-
Subtotal	23	-		23	-		-	-	-	-	-	14	-	-	-	-	-	-	-
Totals	184	-		184	-		-	-	-	-	-	114	-	-	-	-	-	-	-
Percentage																			

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF ESTELL MANOR SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	Private Schools for Disabled			Resident Low Income			Sample for Verification			Resident LEP Low Income			
	Reported on ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors
Full Day Kindergarten	-	-	-	-	5	5	-	4	4	-	-	-	-
One	-	-	-	-	4	4	-	3	3	-	-	-	-
Two	-	-	-	-	5	5	-	6	6	-	-	-	-
Three	-	-	-	-	5	5	-	3	3	-	-	-	-
Four	-	-	-	-	2	2	-	2	2	-	-	-	-
Five	-	-	-	-	4	4	-	3	3	-	-	-	-
Six	-	-	-	-	5	5	-	4	4	-	-	-	-
Seven	-	-	-	-	1	1	-	1	1	-	-	-	-
Eight	-	-	-	-	2	2	-	2	2	-	-	-	-
Subtotal	-	-	-	-	33	33	-	28	28	-	-	-	-
Special Ed Elementary	-	-	-	-	5	5	-	4	4	-	-	-	-
Special Ed Middle School	1	1	1	-	2	2	-	2	2	-	-	-	-
Special Ed High School	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	1	1	1	-	7	7	-	6	6	-	-	-	-
Totals	1	1	1	-	40	40	-	34	34	-	-	-	-
Percentage Error	-	-	-	-	-	-	-	-	-	-	-	-	-

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF ESTELL MANOR SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	Sample for Verification			Resident LEP Not Low Income			Sample for Verification		
	Sample Selected from Workpapers	Verified to Test Score, Register, and Application	Sample Errors	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Full Day Kindergarten									
One	13.00	13.00	-	-	-	-	-	-	-
Two	12.00	12.00	-	-	-	-	-	-	-
Three	11	11	-	-	-	-	-	-	-
Four	7	7	-	-	-	-	-	-	-
Five	12	12	-	-	-	-	-	-	-
Six	12	12	-	-	-	-	-	-	-
Seven	11	11	-	-	-	-	-	-	-
Eight	6	6	-	-	-	-	-	-	-
Subtotal	16	16	-	-	-	-	-	-	-
	100	100	-	-	-	-	-	-	-
Special Ed Elementary	9	-	9	-	-	-	-	-	-
Special Ed Middle School	5	-	5	-	-	-	-	-	-
Subtotal	14	-	14	-	-	-	-	-	-
Totals	114	100	14	-	-	-	-	-	-
Percentage Error	-	-	-	-	-	-	-	-	-

	Transportation			Average Mileage				
	Reported on DTRS by DOE/county	Reported on DTRS by District	Errors	Tested	Verified	Errors	Reported	Re-Calculated
Reg-Public Schools	87	87	-	55	55	-	9.1	9.1
Non-Public	1	1	-	1	1	-	9.1	9.1
Reg-Special Ed	8	8	-	5	5	-	11.9	11.9
Spec Ed-Special Needs	9	9	-	6	6	-	11.9	11.9
Totals	105	105	-	67	67	-	9.1	9.1
Percentage Error	-	-	-	-	-	-	-	-

EXCESS SURPLUS CALCULATION

EXCESS SURPLUS CALCULATION

SECTION 1

Calculation A: 2 Percent of Excess Surplus:

2017-2018 Total General Fund Expenditures Reported on Exhibit C-1	\$	4,576,374	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund		-	(B1b)
Transfer from Capital Reserve to Capital Projects Fund		191,054	(B1c)
Decreased by:			
On-behalf TPAF Pension & Social Security		(408,127)	(B2a)
Assets Acquired Under Capital Leases		-	(B2b)
Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)]		4,359,301	(B3)
Applicable Excess Surplus Percentage		2%	
2% of Adjusted 2017-18 General Fund Expenditures		87,186	(A)
Greater of (A) or \$250,000		250,000	(B5)
Increased by: Allowable Adjustment *		290	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]			<u>250,290</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1)		1,532,056	C
Decreased by:			
Year-End Encumbrances		(102,840)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures			(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **		(381,697)	(C3)
Other Restricted Fund Balances ****		(549,603)	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures		(48,018)	(C5)
Total Unassigned Fund Balance			<u>449,898</u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0-			<u>199,608</u> (E)
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Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures (Audsum line 10025)		381,697	(C3)
Reserved Excess Surplus (Audsum line 10024)		199,608	(E)
Total Excess Surplus	\$		<u>581,305</u> (D)

- * Allowable adjustment to expenditures of 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 NJSA 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;
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid

Detail of Allowable Adjustments

Impact Aid		(H)
Sale & Lease-back		(I)
Extraordinary Aid	0	(J1)
Additional Nonpublic School Transportation Aid	290	(J2)
Current Year School Bus Advertising Revenue Recognized		(J3)
Family Crisis Transportation Aid	<u> </u>	(J4)
 Total Adjustments [(H)+(I)+J1)+(J2)+(J3)+(J4)]	 <u> \$290 </u>	 (K)

** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2017 CAFR and must agree to Audit Summary 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 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.

Detail of Other Reserved Fund Balance:

Capital Reserve	449,593
Maintenance Reserve	<u>100,010</u>
 Total	 <u> 549,603 </u>

RECOMMENDATIONS

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

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

None

Other Special Federal and/or State Projects

None

School Purchasing Program

None

School Food Service Program

The District should determine if it is reasonable to improve food quality, or if it would be more beneficial to take other action designed to improve the school food service.

Application for State School Aid

None

Transportation

None

Miscellaneous

None