

LUMBERTON TOWNSHIP SCHOOL DISTRICT

Lumberton, New Jersey
County of Burlington

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
for The Year Ended June 30, 2018**

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

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

Honorable President and Members
of the Board of Education
Lumberton Township School District
County of Burlington
Lumberton, 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 Lumberton Township School District in the County of Burlington for the year ended June 30, 2018, and have issued our report thereon dated February 18, 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 for the information of the Lumberton Township 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,

HOLMAN FRENIA ALLISON, P.C.

Kevin Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
February 18, 2019

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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, 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 School District's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Thomas Fanuka	Board Secretary/School Business Administrator	\$300,000

There is a Public Employee's Faithful Performance Blanket Position Bond with the New Jersey School Board Association Insurance Group covering all other employees with multiple coverage.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The School District made a proper adjustment to the billings to sending districts for the decrease in per pupil cost in accordance with *N.J.A.C.6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Financial Planning, Accounting and Reporting (continued)

Payroll Account

The net salaries of sampled employees of the board were deposited in the Payroll Account. Employee's payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

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

Sampled 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 School Business Administrator/Board Secretary who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Finding 2018-001 (CAFR Finding 2018-001)

It was noted during our audit that the payroll and agency accounts are not being reconciled.

Recommendation

That the District properly reconcile the payroll and agency accounts on a monthly basis.

Employee Position Control Roster

A sample inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

Reserve for Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23 A-16.29(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of a sample of 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- percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Financial Planning, Accounting and Reporting (continued)

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition with the exception of the following:

Finding 2018-002

It was noted during the audit that the District raised \$50,002 more than necessary for debt service interest payments.

Recommendation

The District should ensure that the proper amount is being raised and that this amount agrees to the debt service amortization schedules.

Treasurer's Records

The School District does not maintain an independent Treasurer.

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

The E.S.E.A. 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 IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The School 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 sample 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.

T.P.A.F. Reimbursement

Our audit procedures included a sample test of the biweekly reimbursements forms 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

The amount of the expenditure charged to the current year's Final Report(s) 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 90 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-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at: http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headigswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42

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 \$19,000 for 2017-18.

The district 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.

Based on the results of our tests on sample basis, we 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 where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*.

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

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.

School Food Service (continued)

We also 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 State of Revenues, Expenses, and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

Student Body Activities

Our review of the financial and accounting records for student activities indicated they were in satisfactory condition with the exception of the following:

Finding 2018-003

It was noted during the audit that proper supporting documentation was not available for receipts within the student activity fund.

Recommendation

The District should ensure that proper internal controls are established to ensure proper documentation of student activity receipts.

Application for State School Aid (ASSA)

Our audit procedures included a sample test of information reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped and low-income, and bilingual. We also performed a review on a sample basis of the School District's procedures related to its completion. The information on the ASSA was compared to the School 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 School District maintained workpapers on the prescribed state forms of their equivalent.

The School District written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a sample test of on roll status reported in the 2017-2018 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.

Pupil Transportation (continued)

Our procedures also included a sample of transportation contracts and purchases. Based on our sample, the School 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 sampling of transportation related purchases of goods and services.

Facilities and Capital Assets

Our review of the financial and accounting records for capital assets indicated they were in satisfactory condition.

Miscellaneous

The School District complied with its most recent continuing disclosure agreements in relation to prior year bond issuances.

Follow-up on Prior Year Findings

In accordance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, our procedures included a review of all prior year findings reported in the prior year's Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance. There were no prior year findings.

Office of Fiscal Accountability and Compliance (OFAC) Findings

There were no Office of Fiscal Accountability and Compliance (OFAC) audit reports issued during the fiscal year ended June 30, 2018.

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,

HOLMAN FRENIA ALLISON, P.C.

Kevin Frenia
Certified Public Accountant
Public School Accountant, No. 1011

Medford, New Jersey
February 18, 2019

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

**LUMBERTON TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR 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		Workpapers On Roll		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Verified	Sample Errors
Full Day Kindergarten	99	-	99	-	20	-	20	-	-	-	-	-	-	-
One	96	-	96	-	16	-	16	-	-	-	-	-	-	-
Two	85	-	85	-	25	-	25	-	-	-	-	-	-	-
Three	121	-	121	-	22	-	22	-	-	-	-	-	-	-
Four	117	-	117	-	24	-	24	-	-	-	-	-	-	-
Five	129	-	129	-	26	-	26	-	-	-	-	-	-	-
Six	131	-	131	-	28	-	28	-	-	-	-	-	-	-
Seven	145	-	145	-	24	-	24	-	-	-	-	-	-	-
Eight	125	-	125	-	30	-	30	-	-	-	-	-	-	-
Subtotal	1,048	-	1,048	-	215	-	215	-	-	-	-	-	-	-
Special Ed - Elementary	124	-	124	-	26	-	26	-	-	-	5	5	5	5
Special Ed - Middle School	113	-	113	-	23	-	23	-	-	-	6	4	4	4
Subtotal	237	-	237	-	49	-	49	-	-	-	11	9	9	9
Totals	1,285	-	1,285	-	264	-	264	-	-	-	11	9	9	9
Percentage Error	0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%	

SCHEDULE OF AUDITED ENROLLMENTS (2)

LUMBERTON TOWNSHIP SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	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 Test Score and Register	Sample Errors
Full Day Kindergarten	21	21	-	11	11	-	1	1	-	1	1	-
One	22	22	-	12	12	-	1	1	-	1	1	-
Two	23	23	-	9	9	-	1	1	-	1	1	-
Three	27	27	-	17	17	-	-	-	-	-	-	-
Four	39	39	-	13	13	-	-	-	-	-	-	-
Five	31	31	-	12	12	-	1	1	-	1	1	-
Six	24	24	-	7	7	-	1	1	-	1	1	-
Seven	15	15	-	13	13	-	-	-	-	-	-	-
Eight	25	25	-	11	11	-	2	2	-	1	1	-
Subtotal	227	227	-	105	105	-	7	7	-	6	6	-
Special Ed - Elementary	40	40	-	29	29	-	-	-	-	-	-	-
Special Ed - Middle	42	42	-	21	21	-	1	1	-	1	1	-
Subtotal	82	82	-	50	50	-	1	1	-	1	1	-
Totals	309	309	-	155	155	-	8	8	-	6	6	-
Percentage Error	<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>		

Transportation

	Reported on DRTS by DOE/county			Reported on DRTS by District			Errors			Tested			Verified			Errors		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Reported on DRTS by District	Reported on DRTS by District	Errors	Tested	Tested	Tested	Verified	Verified	Verified	Errors	Errors	Errors			
Reg. - Public Schools, col. 1	337	337	-	337	337	-	-	-	-	151	151	-	-	-	-			
Reg -SpEd, col. 4	68	68	-	68	68	-	-	-	-	35	35	-	-	-	-			
Transported - Non-Public, col. 3	88	88	-	88	88	-	-	-	-	88	88	-	-	-	-			
Special Ed Spec, col. 6	35	35	-	35	35	-	-	-	-	11	11	-	-	-	-			
Totals	528	528	-	528	528	-	-	-	-	285	285	-	-	-	-			
Percentage Error	<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>					

SCHEDULE OF AUDITED ENROLLMENTS (3)

**LUMBERTON TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten	2	2	-	1	1	-
One	1	1	-	1	1	-
Two	1	1	-	1	1	-
Three	-	-	-	-	-	-
Four	-	-	-	-	-	-
Five	1	1	-	1	1	-
Six	-	-	-	-	-	-
Seven	1	1	-	1	1	-
Eight	1	1	-	1	1	-
Subtotal	<u>7</u>	<u>7</u>	<u>-</u>	<u>6</u>	<u>6</u>	<u>-</u>
Special Ed - Elementary	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>7</u></u>	<u><u>7</u></u>	<u><u>-</u></u>	<u><u>6</u></u>	<u><u>6</u></u>	<u><u>-</u></u>
Percentage Error		<u><u>0.00%</u></u>			<u><u>0.00%</u></u>	

EXCESS SURPLUS CALCULATION

REGULAR DISTRICTS

SECTION 1

A. 2% Calculation of Excess Surplus

2017-2018 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>25,324,468</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>3,149,823</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u>-</u>	(B2b)
Adjusted 2017-2018 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>22,174,645</u>	(B3)
2% of adjusted 2017-2018 General Fund Expenditures [(B3) times .02]	\$ <u>443,493</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>443,493</u>	(B5)
Increased by: Allowable Adjustment *	\$ <u>141,434</u>	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>584,927</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 06/30/2018 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>5,769,774</u>	(C)
Decreased by:		
Year-End Encumbrances	\$ <u>-</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>1,560,355</u>	(C3)
Other Restricted Fund Balances ****	\$ <u>1,113,123</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>481,168</u>	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures (July 1, 2018 - August 1, 2018)	\$ <u>-</u>	(C6)*****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u>2,615,128</u>	(U1)

REGULAR DISTRICTS (continued):

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 2,030,201 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** \$ 1,560,355 (C3)

Reserved Excess Surplus *** [(E)] \$ 2,030,201 (E)

Total Excess Surplus [(C3) + (E)] \$ 3,590,556 (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 endin 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 of 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 (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.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ <u>109,643</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ <u>31,791</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 \$ <u>141,434</u>	 (K)

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

*** Amount must agree to the June 30, 2018 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 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, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget.

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ _____
Sale/Lease-Back Reserve	\$ _____
Capital Reserve	\$ <u>1,113,123</u>
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 8002 and 8003)	\$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance Not Noted Above] *****	\$ _____
 Total Other Restricted Fund Balance	 \$ <u>1,113,123</u> (C4)

Lumberton Township School District
AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2018

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

2018-001 - The payroll and agency accounts should be properly reconciled on a monthly basis.

2018-002 - The District should ensure that the proper amount is being raised for debt service payments and agree this amount to the debt service amortization schedules.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

2018-003 - The District should establish proper internal controls to ensure proper documentation of student activity receipts.

6. Application for State School Aid

None

7. Charter School Enrollment System(CHE)

Not Applicable

8. Pupil Transportation

None

9. Facilities and Capital Assets

None

10. Miscellaneous

None

11. Status of Prior Year Audit Findings/Recommendations

There were no prior year findings.