

NEPTUNE CITY SCHOOL DISTRICT

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**NEPTUNE CITY SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

TABLE OF CONTENTS

	<u>Page No.</u>
Report of Independent Auditors	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account and Position Control Roster	2 to 3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
General Classifications	3
Administrative Classifications	3
Board Secretary's Records	3
Treasurer's Records (Chief School Administrator)	4
Elementary and Secondary Education Act as amended by the Every Student Succeeds Act (ESSA)	4
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4 to 5
School Food Service	5
Student Body Activities	5
Application for State School Aid	5
Pupil Transportation	6
Facilities and Capital Assets	6
Miscellaneous	6
Follow-up on Prior Year Findings	6
Acknowledgment	6
Schedule of Audited Enrollments	7 to 9
Excess Surplus Calculation	10 to 11
Audit Recommendations Summary	12

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Neptune City School District
County of Monmouth, 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 Neptune City School District in the County of Monmouth for the year ended June 30, 2018, and have issued our report thereon dated February 14, 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 Neptune City 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.



Licensed Public School Accountant

No. 2183

ALVINO & SHECHTER, L.L.C.

February 14, 2019
Neptune, New Jersey

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 (Chief School Administrator), the activities of the Board of Education, 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 (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Robert Finger	Interim Business Administrator/ Board Secretary	\$5,000.00
Debra Mecora, Ed. D.	Chief School Administrator	\$200,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$25,000.00.

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 and Position Control Roster

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/Business Administrator.

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

Finding 2018-1 (AMR):

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent and business administrator) to the New Jersey Department of Treasury was not filed.

Recommendation:

The Board of Education should designate someone to prepare and submit the certification as required by N.J.S.A. 18A:14-4 and submit the E-CERT1.

Our inquiry and subsequent review of the Position Control Roster disclosed the following item.

Finding 2018-2 (AMR):

That the Position Control Roster was not updated to list the correct salaries for the fiscal year ended June 30, 2018.

Recommendation:

That the board should establish control procedures to ensure that annual or more frequent review of the Position Control Roster is performed.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

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 no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification and administrative classification.

A. General Classification Findings

None

B. Administrative Classification Findings

None

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following.

Finding 2018-3 (AMR):

Not all cash receipts were promptly deposited into the bank (N.J.S.A. 18A:17-34, 18A:17-9.1).

Recommendation:

The Board Secretary should promptly deposit all cash receipts.

Finding 2018-4 (AMR):

Two budgetary line accounts were over-expended during the fiscal year and at June 30 despite the Board Secretary's monthly certification to the contrary (N.J.A.C. 6A:23A-16.10).

Recommendation:

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

Treasurer's Records

The District passed a resolution on July 31, 2012 in accordance with Chapter 39, P.L. 2010, to abolish the position of treasurer of school monies and to have the Chief School Administrator assume the duties of the treasurer of school monies. All records/reports formerly kept by the treasurer were properly maintained by the Chief School Administrator.

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 Title 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 the special projects indicated no areas of noncompliance.

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.

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

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The Business Administrator and the following Interim Business Administrators were appointed as the qualified purchasing agent pursuant to N.J.S.A. 40A:11-9(b) and therefore the bid threshold was increased to \$40,000.00 per statute. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,200.00 for 2017-18.

The board of education has the responsibility of determining whether the expenditure 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 the furnishing or hiring of any materials or supplies, 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 our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," 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.

Paper and general classroom and office supplies were purchased through a cooperative bidding and purchasing participation agreement with the Middlesex Regional Educational Services Commission.

School Food Service

The Food Service Fund has not been audited as a major program and has not expended \$100,000.00 or more in Federal and State support.

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 verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

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. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions were noted.

The Board of Education entered into a food service management contract with Maschio's Food Service, Inc., to operate the cafeteria for 2017/2018 school year.

Expenditures were 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 beginning and ending inventories were accepted as submitted.

The cash disbursements records reflected expenditures for program related goods and services. The District is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

Net cash resources did not exceed three months average expenditures.

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 of the CAFR.

The Statement of Revenues, Expenses and Changes in Fund Net Position (CAFR Schedule B-5) does separate program and non-program revenue and non-program cost of goods sold.

Student Body Activities

The financial transactions of the student activity agency fund were reviewed. No exceptions were noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (A.S.S.A) for on roll, private school for the handicapped, and low-income. 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 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.

Pupil Transportation

Our audit procedures included a 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.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and service.

Facilities and Capital Assets

There were no active facilities projects funded with SDA grants during the current fiscal year.

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

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. The District did not have any audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC).

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

SCHEDULE OF AUDITED ENROLLMENTS

**NEPTUNE CITY 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		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 Private Schools	Sample for Veri- fication	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool																	
Full Day Preschool	1		1					1		1							
Half Day Kindergarten																	
Full Day Kindergarten	24		24					24		24							
One	24		24					24		24							
Two	38		38					38		38							
Three	21		21					21		21							
Four	26		26					26		26							
Five	23		23					23		23							
Six	23		23					23		23			1	1	1		
Seven	22		22					22		22							
Eight	33		33					33		33							
Nine													1	1	1		
Ten													2	2	2		
Eleven													1	1	1		
Twelve																	
Post-Graduate																	
Adult H.S. (15+CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	235	0	235	0	0	0		235	0	235	0	0	0	5	5	5	0
Special Ed - Elementary	33		33					33		33							
Special Ed - Middle School	22		22					22		22			1	1	1		
Special Ed - High School																	
Subtotal	55	0	55	0	0	0		55	0	55	0	0	0	1	1	1	0
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	290	0	290	0	0	0		290	0	290	0	0	0	6	6	6	0
Percentage Error					0.00%	0.00%							0.00%	0.00%			0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**NEPTUNE CITY SCHOOL DISTRICT
APPLICATION FOR 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
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	10	10		10	10		3	3		3	3	
One	9	9		9	9		3	3		3	3	
Two	27	27		27	27		7	7		7	7	
Three	13	13		13	13		2	2		2	2	
Four	15	15		15	15		2	2		2	2	
Five	17	17		17	17		1	1		1	1	
Six	13	13		13	13							
Seven	10	10		10	10							
Eight	20	20		20	20		1	1		1	1	
Nine	11	11		11	11		1	1		1	1	
Ten	11	11		11	11		1	1		1	1	
Eleven	17.5	17.5		17.5	17.5		2	2		2	2	
Twelve	7.5	7.5		7.5	7.5		3	3		3	3	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	<u>181</u>	<u>181</u>	<u>0</u>	<u>181</u>	<u>181</u>	<u>0</u>	<u>26</u>	<u>26</u>	<u>0</u>	<u>26</u>	<u>26</u>	<u>0</u>
Special Ed - Elementary	30	30		30	30							
Special Ed - Middle	20	20		20	20							
Special Ed - High	18.5	18.5		18.5	18.5		.5	.5		.5	.5	
Subtotal	<u>68.5</u>	<u>68.5</u>	<u>0</u>	<u>68.5</u>	<u>68.5</u>	<u>0</u>	<u>.5</u>	<u>.5</u>	<u>0</u>	<u>.5</u>	<u>.5</u>	<u>0</u>
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	<u>249.5</u>	<u>249.5</u>	<u>0</u>	<u>249.5</u>	<u>249.5</u>	<u>0</u>	<u>26.5</u>	<u>26.5</u>	<u>0</u>	<u>26.5</u>	<u>26.5</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	<u>Transportation</u>						Reported	Recalculated
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools, col. 1	33	33		33	33			
Reg -SpEd, col. 4								
Transported - Non-Public, col. 3								
Special Ed Spec, col. 6	32	32		32	32			
Totals	<u>65</u>	<u>65</u>	<u>0</u>	<u>65</u>	<u>65</u>	<u>0</u>		
Percentage Error			<u>0.00%</u>			<u>0.00%</u>	Reg Avg. (Mileage) = Regular Including Grade PK students (Part A)	6.4
							Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part A)	6.4
							Spec Avg. = Special Ed with Special Needs	11.9

SCHEDULE OF AUDITED ENROLLMENTS

**NEPTUNE CITY 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>		
	<u>Reported on A.S.S.A. as Not Low Income</u>	<u>Reported 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>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	1	1		1	1	
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine	1	1		1	1	
Ten						
Eleven						
Twelve	1	1		1	1	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>3</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>
Special Ed - Elementary	1	1		1	1	
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>4</u>	<u>4</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017-2018 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>8,514,100.33</u> (B)
Increased by Applicable Operating Transfers:	
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 Pre K - Regular	\$ _____(B1c)
Transfer from General Fund to SRF for Pre K - Inclusion	\$ _____(B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>634,074.08</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____(B2b)
Adjusted 2017-2018 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>7,880,026.25</u> (B3)
2% of Adjusted 2017-2018 General Fund Expenditures [(B3) times.02]	\$ <u>157,600.53</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000.00</u> (B5)
Increased by: Allowable Adjustment	\$ <u>111,400.00</u> (K)
Maximum Unrestricted/Unassigned Fund Balance [(B5)+(K)]	\$ <u>361,400.00</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>2,087,312.43</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>338,786.22</u> (C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____(C2)
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ <u>406,511.79</u> (C3)
Other Restricted Fund Balances	\$ <u>11,460.65</u> (C4)
Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>139,962.21</u> (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>1,190,591.56</u> (U1)

SECTION 3

Restricted Fund Balance-Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 829,191.56(E)

Recapitulation of Excess Surplus as of June 30, 2018

Restricted Excess Surplus-Designated for Subsequent Year's Expenditures \$ 406,511.79(C3)
Restricted Excess Surplus [(E)] \$ 829,191.56(E)
Total Excess Surplus [(C3)+(E)] \$ 1,235,703.35(D)

Detail of Allowable Adjustments

Impact Aid \$ _____(H)
Sales & Lease-back \$ _____(I)
Extraordinary Aid \$ 111,400.00(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)] \$ 111,400.00(K)

Detail of Other Restricted Fund Balance

Statutory restrictions:
Approved unspent separate proposal \$ _____
Sale/lease-back reserve \$ _____
Capital reserve \$ 11,460.65
Maintenance 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 \$ 11,460.65(C4)

NEPTUNE CITY 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

The Board of Education should designate someone to prepare and submit the certification as required by N.J.S.A. 18A:14-4 and submit the E-CERT1.

That the Board should establish control procedures to ensure that annual or more frequent review of the Position Control Roster is performed.

The Board Secretary should promptly deposit all cash receipts.

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Follow-up on Prior Year Findings

Not Applicable