

**CITY OF NORTHFIELD
BOARD OF EDUCATION**

**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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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
City of Northfield 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 Northfield 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 Northfield 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

Nancy Sbrolla

Nancy Sbrolla
Certified Public Accountant
Licensed Public School Accountant
No. 2426

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, 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
Linda Albright	Board Secretary/ School Business Administrator	\$228,000

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, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information included on the work papers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

The district's written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-2017 District Report of Transported Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Follow-up on Prior Years' Findings

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

Acknowledgment

We received the complete cooperation of all the officials of the school district and I greatly appreciate the courtesies extended to the members of the audit team.

SCHEDULE OF AUDITED ENROLLMENTS

**NORTHFIELD 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			Errors per Registers on Roll
	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	
	Full	Shared	Full	Full	Shared	Full	Full
Full Day Preschool 4 yrs	88	-	88	22	-	22	-
Full Day Kindergarten	87	-	87	22	-	22	-
One	85	-	85	22	-	22	-
Two	97	-	97	25	-	25	-
Three	84	-	84	21	-	21	-
Four	88	-	88	22	-	22	-
Five	89	-	89	23	-	23	-
Six	78	-	78	20	-	20	-
Seven	93	-	93	25	-	25	-
Eight	789	-	789	202	-	202	-
Subtotal	74	-	74	19	-	19	-
Special Ed Elementary	45	-	45	11	-	11	-
Special Ed Middle School	119	-	119	30	-	30	-
Subtotal	908	-	908	232	-	232	-
Totals							
Percentage			0.00%			0.00%	0.00%

SCHEDULE OF AUDITED ENROLLMENTS

NORTHFIELD CITY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	Private School for Disabled		Resident Low Income		Sample for Verification		Resident LEP Low Income	
	Reported on ASSA as Private Schools	Sample for Verification	Sample Verified	Reported on ASSA as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income
Half Day Preschool 4 yrs	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-
One	22	-	22	22	14	14	2	2
Two	14	-	14	14	9	9	-	-
Three	17	-	17	17	11	11	2	2
Four	27	-	27	27	17	17	5	5
Five	16	-	16	16	10	10	-	-
Six	26	-	26	26	16	16	1	1
Seven	14	-	14	14	9	9	1	1
Eight	16	-	16	16	10	10	1	1
Subtotal	168	-	168	168	106	106	13	13
Special Ed Elementary	1	1	1	18	11	11	-	-
Special Ed Middle School	1	1	1	13	8	8	-	-
Subtotal	2	2	2	31	19	19	-	-
Totals	2	2	2	199	125	125	13	13
Percentage Error				0.000%			0.000%	0.000%

SCHEDULE OF AUDITED ENROLLMENTS

**NORTHFIELD CITY 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 and Register	Reported on ASSA as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day, Preschool, 4 yrs	2	2	1	1	1	1
Full Day Kindergarten	-	-	-	-	-	-
One	2	2	1	1	1	1
Two	4	4	1	1	1	1
Three	-	-	-	-	-	-
Four	1	1	-	-	-	-
Five	1	1	1	1	1	1
Six	1	1	1	1	1	1
Seven	1	1	1	1	1	1
Eight	1	1	-	-	-	-
Subtotal	12	12	5	5	5	5
Special Ed Elementary	1	1	-	-	-	-
Special Ed Middle School	-	-	-	-	-	-
Subtotal	1	1	-	-	-	-
Totals	13	13	5	5	5	5
Percentage Error					0.00%	

	Transportation		Transportation		Re- Calculated
	Reported on DRTS by DOE/County	Reported on DRTS by District	Tested	Verified	
Reg.-Public Schools, col. 1	1	1	1	1	6.1
Reg.-Special Ed., col. 4	-	-	-	-	6.1
Transported - Non-Public, col. 3	11	11	9	9	6.1
Transported - Non-Public, ALL	22	22	19	19	5.5
Special Needs - Public, col. 6	13	13	11	11	6.1
Totals	47	47	40	40	5.5
Percentage Error			0.00%		

Avg. Mileage-Regular including Grade PK students
Avg. Mileage-Regular excluding Grade PK students
Avg. Mileage-Special Ed with Special Needs

**NORTHFIELD BOARD OF EDUCATIONS
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	17,163,792.92	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$		(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$		(B1b)
Transfer from G/F to SRF for Preschool - Regular	\$		(B1c)
Transfer from G/F to SRF for Preschool - Inclusion	\$		(B1c)
Decreased By:			
On-Behalf TPAF Pension & Social Security	\$	3,643,486.66	(B2a)
Assets Acquired Under Capital Leases	\$	-	(B2b)
Adjusted 2017-18 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$	13,520,306.26	(B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$	270,406.13	(B4)
Enter Greater of (B4) or \$250,000	\$	270,406.13	(B5)
Increased by: Allowable Adjustment*	\$	6,670.00	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$	277,076.13	(M)

SECTION 2

Total General Fund - Fund Balances @ 06/30/18 (Per CAFR Budgetary Comparison schedule/statement C-1)	\$	1,969,356.99	(C)
Decreased by:			
Year-end Encumbrances	\$	5,047.91	(C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$	-	(C2)
Legally Restricted-Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	617,476.63	(C3)
Other Restricted Fund Balances ****	\$	616,290.93	(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)]	\$	730,541.52	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 -	\$	453,465.39	(E)
<u>Recapitulation of Excess Surplus as of June 30, 2018:</u>			
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	617,476.63	(C3)
Reserved Excess Surplus ***	\$	453,465.39	(E)
Total [(C3) + (E)]	\$	1,070,942.02	(D)

**NORTHFIELD BOARD OF EDUCATIONS
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), and Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion Extraordinary Aid and Additional Nonpublic School Transportation Aid.)

Detail of Allowable Adjustment

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ <u>6,670.00</u>	(J2)
 Total Adjustments [(H)+(I)+(J1) + (J2)]	 \$ <u>6,670.00</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, 2018 CAFR and the sum of the two lines 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 an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

***** 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	\$ _____	
Capital outlay for a district with a capital outlay cap waiver	\$ _____	
Sale/lease-back reserve	\$ _____	
Capital reserve	\$ <u>363,810.93</u>	
Maintenance reserve	\$ <u>252,480.00</u>	
Emergency reserve	\$ _____	
Waiver offset reserve	\$ _____	
Tuition reserve	\$ _____	
Other state/government mandated reserve	\$ _____	
[Other Restricted Fund Balance not noted above]*****	\$ _____	
 Total Other Restricted Fund Balance	 \$ <u>616,290.93</u>	 (C4)

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

None.

Application for State School Aid

None

Transportation

None

Miscellaneous

None