

**TOWNSHIP OF DENNIS
BOARD OF EDUCATION**

**AUDITORS MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
June 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors	1
Scope of Audit.....	2
Administrative Practices and Procedures:	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting:.....	2
Examination of Claims	2
Payroll Account and Position Control Roster	2
Reserve for Encumbrances, Liability and Accounts Payable	2
Classification of Expenditures	
General Classifications	3
Administrative Classifications	3
Board Secretary's Records	3
Treasurer's Records.....	3
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 - 5
School Food Service	5
Latchkey Enterprise Fund	5
Student Body Activities	5
Application for State School Aid.....	5
Pupil Transportation	6
Facilities and Capital Assets	6
Testing for Lead of all Drinking Water in Educational Facility	6
Follow-up on Prior Year Findings	6
Acknowledgment.....	6
Schedule of Audited Enrollments	7 - 9
Excess Surplus	10 - 11
Audit Recommendations Summary.....	12

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Township of Dennis School District
County of Cape May, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the general purpose financial statements of the Board of Education of the Township of Dennis School District in the County of Cape May for the year ended June 30, 2019, and have issued our report thereon dated November 15, 2019.

As part of our audit, we performed procedures required by the District of Administration and Finance, New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is issued in conjunction with the Comprehensive Annual Financial Report of the Board of Education of the Township of Dennis for the fiscal year ending June 30, 2019 and is intended solely for the information and use of the School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915
November 15, 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

Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Paige Rumaker	Board Secretary / School Business Administrator	\$ 10,000
Kelly Brazelton	Treasurer	\$210,000

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 and 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.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

Reserve for Encumbrances, Liability for 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.

Financial Planning, Accounting and Reporting (Continued)

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(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:23-2.4. As a result of the procedures performed, a transaction error rate of 0 % was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Business Administrator / Board Secretary's Records

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

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

Monthly financial certificates of the Board Secretary and Board of Education for positive line item account status certifications (N.J.A.C. 6:2-2.13) were performed. Budgetary line item account transfers were approved monthly to cover any anticipated deficits.

Purchase orders were charged to the appropriate line item accounts in accordance with the State prescribed **Uniform Minimum Chart of Accounts (2R2) for New Jersey Public School.**

Treasurer's Records

The Treasurer's records were examined and were found to be in agreement with the records of the Board Secretary. All cash receipts were promptly deposited.

Finding 2019-1

As a result of the necessary conversion to a new accounting software package, numerous conversion issues arose, which complicated the various balancing functions of the District's funds. In addition, as part of the audit, additional analysis and adjusting journal entries were necessary to be submitted, in order to prepare the required annual financial statements in the District's CAFR.

Recommendation

A review of the features available in the newly installed accounting software package should be made, which includes the additional preparation of various supporting worksheets, in order to provide the necessary and/or required accounting records to support the required periodic financial statements.

Financial Planning, Accounting and Reporting (Continued)

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

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, II-A, and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Our audit of the E.S.E.A. 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 study of compliance for E.S.E.A. indicated that all E.S.E.A. programs were in compliance.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on the Schedule A and Schedule B 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 revealed the following area of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted. Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per 18A:18A-5.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter 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 currently \$19,000.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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.

School Purchasing Programs (Continued)

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, amended.

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.

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

Latchkey Enterprise Fund

During our review of the student activity funds, we noted no exceptions.

Student Body Activities

During our review of the student activity funds, we noted no exceptions.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low income, and bilingual. We also performed a review of the districts procedures related to its completion. The information on the ASSA 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 2018-19 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 include 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 services.

Facilities and Capital Assets

As part of the GASB 34 reporting format, fixed assets were recorded in accordance with GAAP including a provision for depreciation expense.

Testing for Lead of all Drinking Water in Educational Facilities

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

The test results were posted on the district's website as well as being available at the school facility.

Follow-Up on Prior Year Findings

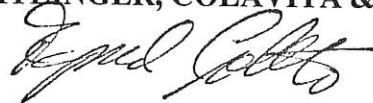
In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all the prior year findings.

Acknowledgment

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

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



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

SCHEDULE OF AUDITED ENROLLMENTS

DENNIS TOWNSHIP BOARD OF EDUCATION
 APPLICATION OR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2018

	2019-2020 APPLICATION FOR STATE SCHOOL AID (10/15/18 DATA)						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								
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Sample Verification	Sample Verified	Sample Errors					
Half Day Preschool 3 Years Old	16		16				6		6												
Half Day Preschool 4 Years Old	17		17				6		6												
Full Day Kindergarten	59		59				21		21												
One	57		57				20		20												
Two	58		58				20		20												
Three	57		57				20		20												
Four	40		40				14		14												
Five	46		46				16		16												
Six	40		40				14		14												
Seven	37		37				13		13												
Eight	37		37				13		13												
Nine	36		36				13		13												
Ten																					
Eleven																					
Twelve																					
Post-Graduate																					
Adult H.S. (15+CR.)																					
Adult H.S. (1-14 CR.)																					
Subtotal	463	0	463	0	0	0	157	0	163	0	0	0	0	0	0	0					
Special Ed - Elementary	59		59		0		21		21					1	1	1					
Special Ed - Middle	42		42		0		15		15					1	1	1					
Special Ed - High																					
Subtotal	101	0	101	0	0	0	36	0	36	0	0	0	0	2	2	2					
Totals	564	0	564	0	0	0	193	0	199	0	0	0	0	2	2	2					
Percentage Error	<table border="0" style="width: 100%;"> <tr> <td style="width: 33%;"></td> <td style="width: 33%; text-align: center;">0.00%</td> <td style="width: 33%; text-align: center;">0.00%</td> </tr> <tr> <td></td> <td style="text-align: center;">0.00%</td> <td style="text-align: center;">0.00%</td> </tr> </table>																0.00%	0.00%		0.00%	0.00%
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SCHEDULE OF AUDITED ENROLLMENTS

DENNIS TOWNSHIP BOARD OF EDUCATION
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

	Resident LEP NOT Low Income		Sample for Verification	
	Report On A.S.A. as NOT Low Income	Report On Workpapers as NOT Low Income	Sample Selected From Workpapers	Verified to Application and Register Sample Errors
Half Day Preschool				
Full Day Kindergarten				
One				
Two				
Three				
Four				
Five				
Six				
Seven				
Eight				
Nine				
Ten				
Eleven				
Twelve				
Post Graduate				
Adult H.S. (15+CR.)				
Adult H.S. (1-14 CR.)				
Subtotal	0	0	0	0
Special Ed - Elementary				
Special Ed - Middle				
Special Ed - High				
Subtotal	0	0	0	0
Co. Voc. - Regular				
Co. Voc. Ft. Post Sec.				
Totals	0	0	0	0
Percentage Error	0.00%		0.00%	

DENNIS TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>18,053,867</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>1,749,065</u>	(B2a)
Assets Acquired Under Capital Leases	<u> </u>	(B2b)
 Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	 <u>16,304,802</u>	 (B3)
 2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	 <u>326,096</u>	 (B4)
Enter Greater of (B4) or \$250,000	<u>326,096</u>	(B5)
Increased by: Allowable Adjustment*	<u>84,904</u>	(K)
 Maximum Unassigned/Undesignated-Unreserved Fund Balance[(B5)+(K)]		 \$ <u>411,000</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-19 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>2,228,151</u>	(C)
Decreased by:		
Year-end Encumbrances	<u>3,885</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures (Capital, Maintenance & Emergency Reserves)	<u>308,008</u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	<u>330,691</u>	(C3)
Other Restricted Fund Balances****	<u>760,812</u>	(C4)
Assigned Fund balance Unreserved - Designated for Subsequent Year's Expenditures	<u>39,856</u>	(C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		 \$ <u>784,899</u> (U1)

DENNIS TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION

SECTION 3

Restricted Fund Balance- Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 373,899 (E)

Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	330,691	(C3)
Reserved Excess Surplus ***[(E)]	373,899	(E)
Total Excess Surplus [(C3) + (E)]	\$ <u>704,590</u>	(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, the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale & Lease-Back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

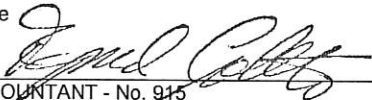
Impact Aid	\$ _____	(H)
Sale & Lease-Back	_____	(I)
Extraordinary Aid	<u>81,714</u>	(J1)
Additional Nonpublic School Transportation Aid	<u>3,190</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	_____	(J3)
Family Crisis Transportation Aid	_____	(J4)
Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)]	\$ <u>84,904</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, 2019 CAFR and must agree to Audit Summary Worksheet Line **90030**.
- **** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	_____
Capital reserve	<u>217,706</u>
Maintenance reserve	<u>418,106</u>
Emergency Reserve	<u>125,000</u>
Tuition reserve	_____
School Bus Advertising 50% Fuel Offset Reserve - Current Year	_____
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	_____
Impact Aid General Fund Reserve (Sections 8007 and 8008)	_____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	_____
Other state/government mandated reserve	_____
[Other Restricted Fund Balance not noted above] ****	_____
Total Other Restricted Fund Balance	\$ <u>760,812</u> (C4)

SIGNATURE OF PUBLIC SCHOOL ACCOUNTANT - No. 945



AUDIT RECOMMENDATIONS SUMMARY

**For the Fiscal Year Ended June 30, 2019
Dennis Township School District**

Recommendations:

1. Administrative Practices and Procedures - None

2. Financial Planning, Accounting and Reporting

Recommendation - A review of the features available in the newly installed accounting software package should be made, which includes the additional preparation of various supporting worksheets, in order to provide the necessary and/or required accounting records to support the required periodic financial statements.

3. School Purchasing Programs - None

4. School Food Service - None

5. Student Body Activities - None

6. Application for State School Aid - None

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

None

8. Pupil Transportation - None

9. Facilities and Capital Assets - None

10. Miscellaneous - None

11. Status of Prior Year Audit Findings/Recommendations

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