

HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT

Hi-Nella, New Jersey
County of Camden

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
FOR THE YEAR ENDED JUNE 30, 2020**

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

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HOLT MCNALLY & ASSOCIATES

Certified Public Accountants & Advisors

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

Honorable President and Members
of the Board of Education
Hi-Nella Borough School District
County of Camden
Stratford, NJ 08084

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 Hi-Nella Borough School District in the County of Camden for the year ended June 30, 2020, and have issued our report thereon dated January 27, 2021.

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 Hi-Nella Borough 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,

HOLT MCNALLY AND ASSOCIATES, INC.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
January 27, 2021

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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 and the Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the 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>
Debra Trasatti	Board Secretary/School Business Administrator	\$ 200,000

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)

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.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

Finding 2020-001

It was noted during our audit that the District incurred obligations in excess of the amount appropriated by the Board in the General Fund.

Recommendation:

That the District receives the necessary approval for line-item transfers, in compliance with *N.J.A.C. 6A:23A-16.10*, prior to the over-expenditure of any line-item account.

Finding 2020-002

As of June 30, 2020 the District had a negative unassigned fund balance on the budgetary-basis of \$22,284. This was caused by the District utilizing more funds than were available to balance the subsequent year budget.

Recommendation:

That the District closely monitors year-end financial balances to avoid future fund balance deficits.

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.

Other Special Federal and/or State Projects (continued)

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.

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 2019-20.

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*. However, we noted the following regarding the provision of *N.J.S.A. 18A:18A-21*:

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

Application for State School Aid (ASSA)

Our audit procedures included a sample test of information reported in the October 15, 2019 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 with no exceptions noted. The information that was included on the workpapers was verified with no exceptions noted. 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 2019-2020 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 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.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all 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, 2020.

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,

HOLT MCNALLY & ASSOCIATES, INC.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Medford, New Jersey
January 27, 2021

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	2020-2021 Application for State School Aid				Sample for Verification				Private Schools for Disabled					
	Reported on		Workpapers		Selected from		Verified per		Errors per		Reported on		Sample	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Two	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Three	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Four	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Five	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Six	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Error	#DIV/0!													

SCHEDULE OF AUDITED ENROLLMENTS (2)

HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	Resident Low Income			Resident LEP Low Income			Sample for Verification			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	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 Application and Register	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors	
Full Day Kindergarten	11	11	-	9	9	-	9	9	1	1	-	
One	7	7	-	6	6	-	6	6	2	2	-	
Two	6	6	-	5	5	-	5	5	-	-	-	
Three	1	1	-	1	1	-	1	1	-	-	-	
Four	1	1	-	1	1	-	1	1	-	-	-	
Five	1	1	-	1	1	-	1	1	-	-	-	
Six	-	-	-	-	-	-	-	-	-	-	-	
Seven	-	-	-	-	-	-	-	-	-	-	-	
Eight	-	-	-	-	-	-	-	-	-	-	-	
Nine	3	3	-	2	2	-	2	2	-	-	-	
Ten	2	2	-	2	2	-	2	2	-	-	-	
Eleven	4	4	-	3	3	-	3	3	-	-	-	
Twelve	7	7	-	5	5	-	5	5	-	-	-	
Subtotal	43	43	-	35	35	-	35	35	3	3	-	
Special Ed - Elementary	7	7	-	5	5	-	5	5	-	-	-	
Special Ed - Middle	1	1	-	1	1	-	1	1	-	-	-	
Special Ed - High School	7	7	-	5	5	-	5	5	-	-	-	
Subtotal	15	15	-	11	11	-	11	11	-	-	-	
Totals	58	58	-	46	46	-	46	46	3	3	-	
Percentage Error	-	-	-	-	-	-	-	-	-	-	-	

	Transportation		
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors
Reg - Public Schools, col. 1	3	3	-
Reg -SpEd, col. 4	2	2	-
Aid-in-Lieu, col. 3	1	1	-
Special Ed Spec, col. 6	6	6	-
Totals	12	12	-
Percentage Error	-	-	-

SCHEDULE OF AUDITED ENROLLMENTS (3)

**HI-NELLA BOROUGH PUBLIC SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	<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
Half Day Preschool	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-
One	-	-	-	-	-	-
Two	-	-	-	-	-	-
Three	-	-	-	-	-	-
Four	-	-	-	-	-	-
Five	-	-	-	-	-	-
Six	-	-	-	-	-	-
Seven	-	-	-	-	-	-
Eight	-	-	-	-	-	-
Nine	-	-	-	-	-	-
Ten	-	-	-	-	-	-
Eleven	-	-	-	-	-	-
Twelve	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error			-			-

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EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2019-2020 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>3,135,435</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>-</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u>-</u>	(B2b)
Adjusted 2019-2020 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$	<u><u>3,135,435</u></u>	(B3)
1.5% of adjusted 2019-2020 General Fund Expenditures [(B3) times .015]	\$	<u>47,032</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>47,032</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u>22,487</u>	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$	<u><u>69,519</u></u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 06-30-2020 (Per CAFR Budgetary Comparison Schedule C-1)	\$	<u>290,209</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>-</u>	(C3)
Other Restricted Fund Balances ****	\$	<u>-</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$	<u>312,493</u>	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures (July 1, 2020- August 1, 2020)	\$	<u>-</u>	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$	<u><u>(22,284)</u></u>	(U)

REGULAR DISTRICT (continued):

SECTION 3

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

Recapitulation of Excess Surplus as of June 30, 2020

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** \$ _____ - (C3)

Reserved Excess Surplus *** [(E)] \$ _____ - (E)

Total Excess Surplus [(C3) + (E)] \$ _____ - (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 ending 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	\$ 22,487 (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)]	 \$ 22,487 (K)

- ** This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- *** Amounts must agree to the June 30, 2020 CAFR and must agree to Audit Summary Worksheet 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, 2020 to August 1, 2020 resulting from decrease in state aid after adoption of 2020-2021 district budget.

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ _____ -
Sale/Lease-Back Reserve	\$ _____ -
Capital Reserve	\$ _____ -
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	 \$ _____ - (C4)

AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2020
Hi-Nella Borough School District

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

2020-001: That the District ensure that all noncash entries are recorded prior to year-end.

2020-002: That the District closely monitors year-end financial balances to avoid future fund balance deficits.

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. Status of Prior Year Audit Findings/Recommendations

No prior year findings.