

**SEA ISLE CITY
BOARD OF EDUCATION**

**AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2021**

SEA ISLE CITY SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

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FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Sea Isle City 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 basic financial statements of the Board of Education of the Sea Isle City School District in the County of Cape May for the year ended June 30, 2021, and have issued our report thereon dated February 23, 2022.

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 Sea Isle City Board of Education's management and the New Jersey Department of Education and is not intended and should not be used by anyone other than these parties.

Ford, Scott & Associates LLC
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia

Michael Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

February 23, 2022

**SEA ISLE CITY SCHOOL DISTRICT
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 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 district's CAFR.

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

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|-------------|---------------------------------------------------|---------------|
| Tim Kelley | Board Secretary/ School Business Administrator | \$300,000.00 |

Tuition Charges

The District did not receive students from sending districts during fiscal year 2021.

Unemployment Compensation Insurance Fund

The Board has adopted the benefit reimbursement method and has established an Unemployment Compensation Insurance Fund (Exhibit H-2) as an expendable trust fund.

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.

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 N.J.A.C. 6A:23-2.2(g) 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-2.4. As a result of the procedures performed, a transaction error rate of 0.0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**SEA ISLE CITY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
(CONTINUED)**

Board Secretary's Records

The Board Secretary's records were in satisfactory condition.

Accountability Regulations

District boards of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. N.J.A.C. 6A:23A-6.4 requires that the district's internal control policies include specific requirements at N.J.A.C. 6A:23A-6.5 through 6.13.

Treasurer's Records

The Treasurer's records were found to be in satisfactory condition. All cash receipts were promptly deposited.

Other Special Federal and/or State Projects

The District's other 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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2020 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (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 \$19,600.

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.

Based on the results of my examination, I did not find 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 provisions of N.J.S.A. 18A:18A-4, amended.

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

**SEA ISLE CITY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
(CONTINUED)**

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2020 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. The information that was included on the workpapers was verified with exceptions noted. The results of our procedures are presented below and in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2020-21 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. The results of our procedures are presented in the Schedule of Audited Enrollments.

Suggestions to Management

We noted that the district currently has a capital reserve. Since there is no longer a facility we suggest that the capital reserve be closed out and funds be transferred to unrestricted fund balance.

Follow-Up on Prior Year Findings

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

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.

Ford, Scott & Associates LLC
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia

Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

February 23, 2022

SEA ISLE CITY BOARD OF EDUCATION

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2020

SCHEDULE OF AUDITED ENROLLMENTS

| | 2020-2021 Application for State School Aid | | | | | | Sample for Verification | | | | | | Private Schools for Disabled | | | |
|----------------------------|--------------------------------------------|--------|------------|--------|--------|--------|---------------------------------|--------|--------------------------------|--------|------------------------------|--------|-----------------------------------------|---------------------|---------------|--------|
| | Reported on A.S.S.A. On Roll | | Workpapers | | 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 Verification | Sample Errors | |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared |
| Half Day Preschool | | | - | | | | | - | | | | | | | | |
| Full Day Preschool | | | - | | | | | - | | | | | | | | |
| Half Day Kindergarten | | | | | | | | | | | | | | | | |
| 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 | | | | | - | | | | | | - | | - |
| Special Ed - Elementary | | | | | | | | | | | | | | | | |
| Special Ed - Middle School | | | | | | | | | | | | | | | | |
| Special Ed - High School | | | | | | | | | | | | | | | | |
| Subtotal | 0 | | 0 | | | | | - | | | | | | - | | - |
| Co. Voc. - Regular | | | | | | | | | | | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | | | | | | | | | | | |
| Totals | 0 | | 0 | | | | | - | | | | | | - | | - |
| Percentage Error | | | 0.00% | | | | | 0.00% | | | | | | 0.00% | | 0.00% |

**SEA ISLE CITY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020**

SCHEDULE OF AUDITED ENROLLMENTS

| | 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 | Sample Selected from Workpapers | Verified to Application and Register | Reported on A.S.S.A. as LEP low Income | Reported on Workpapers as LEP low Income | Sample Selected from Workpapers | Verified to Test Score and Register |
| Half Day Preschool | - | - | - | - | - | - | - | - |
| Full Day Preschool | - | - | - | - | - | - | - | - |
| Half Day Kindergarten | - | - | - | - | - | - | - | - |
| 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 | - | - | - | - |
| Special Ed - Elementary | - | - | - | - | - | - | - | - |
| Special Ed - Middle | - | - | - | - | - | - | - | - |
| Special Ed - High | - | - | - | - | - | - | - | - |
| Subtotal | 0 | 0 | - | - | - | - | - | - |
| Co. Voc. - Regular | 0 | 0 | 0 | 0 | - | - | - | - |
| Co. Voc. Ft. Post Sec. | - | - | - | - | - | - | - | - |
| Totals | 0 | 0 | 0 | 0 | - | - | - | - |
| Percentage Error | | | | | | | 0.00% | |

Transportation

| | Reported on DRTS by DOE/county | | Reported on DRTS by District | | Tested | | Verified | | Errors |
|----------------------------------|--------------------------------|--------------------------------------|------------------------------|--------------------------------------|--------|----------|----------|----------|--------|
| | Reported on DOE/county | Reported on Workpapers as Low Income | Reported on District | Reported on Workpapers as Low Income | Tested | Verified | Tested | Verified | |
| Reg - Public Schools, col 1 | 69 | 69 | 69 | 69 | 52 | 52 | 52 | 52 | 0 |
| Reg -SpEd, col 4 | 9 | 9 | 9 | 9 | 7 | 7 | 7 | 7 | 0 |
| Transported - Non-Public, col. 2 | 10 | 10 | 10 | 10 | 8 | 8 | 8 | 8 | 0 |
| Aid in Lieu | - | - | - | - | - | - | - | - | 0 |
| Special Ed Spec, col 6 | 5 | 5 | 5 | 5 | 4 | 4 | 4 | 4 | 0 |
| Totals | 93 | 93 | 93 | 93 | 71 | 71 | 71 | 71 | 0 |
| Percentage Error | | | | | | | | | 0.00% |

Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B) 14.0
 Spec Avg. = Special Ed with Special Needs 15.7

SEA ISLE CITY BOARD OF EDUCATION

**APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020**

SCHEDULE OF AUDITED ENROLLMENTS

| | Resident LEP NOT Low Income | | Sample for Verification | |
|-------------------------|----------------------------------------|------------------------------------------|---------------------------------|--------------------------------------|
| | Reported on A.S.S.A. as NOT Low Income | Reported on Workpapers as NOT Low Income | Sample Selected from Workpapers | Verified to Application and Register |
| | Income | Errors | Sample Errors | Errors |
| Half Day Preschool | - | - | - | - |
| Full Day Preschool | - | - | - | - |
| Half Day Kindergarten | - | - | - | - |
| 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 | - | - | - | - |
| Special Ed - Elementary | - | - | - | - |
| Special Ed - Middle | - | - | - | - |
| Special Ed - High | - | - | - | - |
| Subtotal | - | - | - | - |
| Co. Voc. - Regular | - | - | - | - |
| Co. Voc. Ft. Post Sec. | - | - | - | - |
| Totals | - | - | - | - |
| Percentage Error | | 0.00% | | 0.00% |

**CITY OF SEA ISLE CITY SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021**

REGULAR DISTRICT

SECTION 1

A. 4% Calculation of Excess Surplus

| | | |
|-------------------------------------------------------------------|------------------------|-------|
| 2020-21 Total General Fund Expenditures per the CAFR, Ex. C-1 | \$ <u>2,003,088.34</u> | (B) |
| Increased by: | | |
| Transfer from Capital Outlay to Capital Projects Fund | \$ _____ | (B1b) |
| Transfer from Capital Reserve to Capital Projects Fund | \$ _____ | (B1c) |
| Decreased By: | | |
| On-Behalf TPAF Pension & Social Security | \$ _____ | (B2a) |
| Assets Acquired Under Capital Leases | _____ | (B2b) |
| Adjusted 2020-21 General Fund Expenditures [(B)+(B1's)-(B2's)] | \$ <u>2,003,088.34</u> | (B3) |
| 4% of Adjusted 2020-21 General Fund Expenditures [(B3) times .04] | \$ <u>80,123.53</u> | (B4) |
| Enter Greater of (B4) or \$250,000 | \$ <u>250,000.00</u> | (B5) |
| Increased by: Allowable Adjustment* | \$ <u>2,900.00</u> | (K) |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] | \$ <u>252,900.00</u> | (M) |

SECTION 2

| | | |
|---------------------------------------------------------------------------------------------------------|------------------------|------|
| Total General Fund - Fund Balances @ 06/30/21 (Per CAFR Budgetary Comparison schedule/statement C-1) | \$ <u>2,130,138.75</u> | (C) |
| Decreased by: | | |
| Year-end Encumbrances | \$ <u>3,646.11</u> | (C1) |
| Legally Restricted-Designated for Subsequent Year's Expenditures | \$ _____ | (C2) |
| Legally Restricted-Excess Surplus - Designated for Subsequent Year's Expenditures *** | \$ <u>340,608.49</u> | (C3) |
| Other Restricted Fund Balances *** | \$ <u>916,218.49</u> | (C4) |
| Assigned Fund Balance-Unreserved Designated for Subsequent Year's Expenditures | \$ <u>4,350.51</u> | (C5) |
| Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] | \$ <u>865,315.15</u> | (U1) |

SECTION 3

| | | |
|---------------------------------------------------------------------------------|----------------------|-----|
| Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 - | \$ <u>612,415.15</u> | (E) |
|---------------------------------------------------------------------------------|----------------------|-----|

Recapitulation of Excess Surplus as of June 30, 2021:

| | | |
|----------------------------------------------------------------------------|----------------------|------|
| Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** | \$ <u>340,608.49</u> | (C3) |
| Reserved Excess Surplus *** | \$ <u>612,415.15</u> | (E) |
| Total [(C3) + (E)] | \$ <u>953,023.64</u> | (D) |

* 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.)

**CITY OF SEA ISLE CITY SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021**

Detail of Allowable Adjustment

| | | |
|------------------------------------------------|-----------------------------|------|
| Impact Aid | \$ _____ | (H) |
| Sale & Lease-back | \$ _____ | (I) |
| Extraordinary Aid | \$ _____ | (J1) |
| Additional Nonpublic School Transportation Aid | \$ 2,900.00 | (J2) |
| | <u> </u> | |
| Total Adjustments [(H)+(I)+(J1) + (J2)] | \$ 2,900.00 | (K) |

** This amount represents the June 30, 2020 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amounts must agree to the June 30, 2021 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 10024.

**** 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.

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 | \$ 2,986.32 | |
| Maintenance reserve | \$ _____ | |
| Emergency reserve | \$ 171,165.00 | |
| Waiver offset reserve | \$ _____ | |
| Tuition reserve | \$ - | |
| Other state/government mandated reserve | \$ 650,000.00 | |
| Reserve for Unemployment Fund | \$ 92,067.17 | |
| [Other Restricted Fund Balance not noted above]**** | \$ _____ | |
| | <u> </u> | |
| Total Other Restricted Fund Balance | \$ 916,218.49 | (C4) |

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2021

SCHOOL DISTRICT OF SEA ISLE CITY

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

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

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