

**BOARD OF EDUCATION OF THE
PALMYRA SCHOOL DISTRICT
COUNTY OF BURLINGTON**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

BOROUGH OF PALMYRA SCHOOL DISTRICT
Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

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

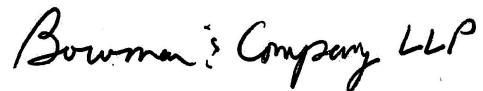
The Honorable President and
Members of the Board of Education
Borough of Palmyra School District
County of Burlington, New Jersey

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 Borough of Palmyra School District, in the County of Burlington, State of New Jersey, as of and for the fiscal year ended June 30, 2017, which were separately issued in the Comprehensive Annual Financial Report dated November 22, 2017.

As part of our audit, we also performed procedures required by the Division of Administration and Finance, Department of Education, State of New Jersey, 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 Borough of Palmyra School District, for the fiscal year ended June 30, 2017, and is intended for the information of the School District's management and the Division of Administration and Finance, Department of Education, State of New Jersey. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Certified Public Accountant
Public School Accountant No. CS 01113

Voorhees, New Jersey
November 22, 2017

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 Comprehensive Annual Financial Report (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>
Todd D. Reitzel	Board Secretary / School Business Administrator (since October 1, 2016)	\$175,000.00
William R. Blatchley	Board Secretary / School Business Administrator (until October 1, 2016)	175,000.00
Donna Gidjunis	Treasurer of School Moneys	250,000.00

There is a blanket dishonesty bond covering all other employees with the following coverage: \$100,000.00 per employee / \$500,000.00 per loss.

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 costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING

Examination of Claims

Sampled claims paid during the fiscal year under audit did not indicate any reportable noncompliance with respect to signatures, certification, or supporting documentation.

Payroll Account

The net salaries of sampled employees of the School District were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency account.

Sampled payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary / School Business Administrator.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Payroll Account (Cont'd)

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Sampled payrolls were delivered to the Board Secretary who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

A sample of the Employee Position Control Roster indicated that it was in satisfactory condition and was approved by the county office submission with the 2016-2017 budget review checklist.

Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample did not indicate any reportable noncompliance with respect to classification of orders.

Travel

A sample of travel expenditures during the fiscal year under audit did not indicate any reportable noncompliance.

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 randomly sampled expenditure transactions. We also tested the coding of all expenditures included in our compliance and single audit sampling procedures. In addition, a sample was selected that specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. Our samples did not indicate any reportable noncompliance with respect to classification of expenditures.

Board Secretary's Records

Our audit of the financial and accounting records maintained by the Board Secretary indicated that they were in satisfactory condition, with the exception of the following:

Finding No. 2017-001

The Board Secretary's report was not filed timely with the county superintendent.

Recommendation

That the School District implement procedures to ensure compliance with statutory due dates for certain reports the School District is required to file with the State of New Jersey.

Treasurer of School Moneys' Records

Our audit of the financial and accounting records maintained by the Treasurer of School Moneys indicated that they were in satisfactory condition.

Elementary and Secondary Education Act (E.S.E.A.) / Improving America's Schools Act (I.A.S.A.) as reauthorized by the No Child Left Behind Act (N.C.L.B.) of 2001

The E.S.E.A. / N.C.L.B. 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 II of the Elementary and Secondary Education Act as amended and reauthorized.

The audit of compliance for E.S.E.A. did not indicate any reportable noncompliance.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Other Special Federal and / or State Projects

The School District's other special projects were approved as listed on exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a sample 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 other special projects.

The audit of compliance for other special projects did not indicate any reportable noncompliance.

TPAF Reimbursement

Our audit procedures included a sample of the biweekly reimbursements filed with the Department of Education for School 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 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 and N.J.S.A. 18A:66-90. The expenditure was inspected 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-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and the school contracts in general, are available on the following 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&headingswithhits=on&infobase=statutes.nfo&oftpage=TOC_Frame_Pg42

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 law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800.00 for 2016-17.

The School District's 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 audit, 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, amended.

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

SCHOOL FOOD SERVICE

The school food service program was not selected as a major federal and / or State program. However, the program expenditures exceeded \$100,000.00 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 position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

STUDENT BODY ACTIVITIES

Our audit of the financial and accounting records for student activities indicated that they were in satisfactory condition.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a sample of information reported in the October 15, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income, and bilingual. We also performed an inspection of the School District procedures related to its completion. The information on the A.S.S.A. was compared to the School 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 School District maintained workpapers on the prescribed State forms or their equivalent.

The School District has adequate written procedures for the recording of student enrollment data.

ENROLLMENT COUNTS AND SUBMISSIONS TO THE DEPARTMENT

Our audit procedures included a sample of enrollment information on October 15, 2016 and the last day of school for on-roll, special education, bilingual and low-income. The results of our procedures are presented in the schedule of audited enrollments.

The Charter School maintained written procedures that appear to be adequate for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a sample of on-roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was reported 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 related contracts and purchases. Based on our sample, the School District complied with proper bidding procedures and award of contracts. No exceptions were noted in our sample of transportation related purchases of goods and services.

FACILITIES AND CAPITAL ASSETS

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

MISCELLANEOUS

Continuing Disclosure Agreements

The School District complied with its most recent continuing disclosure agreements made in relation to prior year bond issuances.

Testing for Lead of All Drinking Water in Education Facilities

The School District did comply with all the requirements of N.J.A.C. 6A:26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

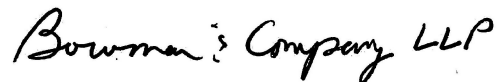
There were no audit findings for the fiscal year ended June 30, 2016.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2017.

ACKNOWLEDGMENT

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Public School Accountant No. CS 01113

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2016

	Reported on A.S.S.A. as Low Income			Resident 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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Selected from Workpapers	Verified to Application, Test Score and Register	Sample Errors	Sample Errors
Half Day Preschool	22	22					4	4				
Full Day Preschool	23	23					3	3				
Half Day Kindergarten	24	24					4	4				
Full Day Kindergarten	24	24					7	7				
One	36	36					36	36				
Two	18	18					2	2				
Three	25	25					1	1				
Four	25	25					21	21				
Five	16	16					13	13				
Six	22	22		1	1		16	16		1	1	
Seven	24	24					19	19				
Eight	23	23					18	18				
Nine	27	27					20	20				
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14CR.)												
Subtotal	309	309					164	164		2	2	
Special Education-Elementary	28	28					5	5				
Special Education-Middle School	23	23					2	2				
Special Education-High School	21	21					6	6				
Subtotal	72	72					13	13				
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Subtotal												
Totals	381	381					177	177		2	2	
Percentage Error												

	Reported on DRTS by DOE/County			Reported on DRTS by District			Transportation			Reg. Avg. (Mileage) = Regular Including Grade PK students (Part A) Reg. Avg. (Mileage) = Regular Excluding Grade PK students (Part B) Spec. Avg. (Mileage) = Special Ed. with Special Needs	Re-Calculated
	Reported on DOE/County	Reported on District	Errors	Reported on District	Reported on District	Errors	Reported on District	Tested	Verified		
Reg. - Public Schools, Col. 1	31	31		5	5						12.7
Reg. - SpEd, Col. 4											12.6
Transported - Non-Public, Col. 3	29	29		16	15						12.6
Special Needs, Col. 6											12.6
Totals	60	60		21	20						
Percentage Error											4.76%

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2016

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT 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						
One	1	1				
Two	1	1		1	1	
Three	1	1		1	1	
Four						
Five						
Six						
Seven						
Eight						
Nine	1	1		1	1	
Ten						
Eleven						
Twelve						
Post-Graduate Adult H.S. (15+CR.)						
Adult H.S. (1-14CR.)						
Subtotal	4	4		3		
Special Education-Elementary						
Special Education-Middle School	1	1		1	1	
Special Education-High School	1	1		1	1	
Subtotal	2	2		2		
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Subtotal						
Totals	6	6		5		
Percentage Error						

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

SECTION 1

2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures Reported on CAFR Exhibit C-1	\$ 16,771,185.27 (B)
Increased by:	
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 PreK-Regular	- (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	- (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	1,768,608.98 (B2a)
Assets Acquired Under Capital Leases	- (B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>15,002,576.29 (B3)</u>
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	<u>300,051.53 (B4)</u>
Enter Greater of (B4) or \$250,000	<u>300,051.53 (B5)</u>
Increased by: Allowable Adjustment *	<u>92,837.00 (K)</u>
Maximum Unassigned Fund Balance [(B5) + (K)]	<u>\$ 392,888.53 (M)</u>

SECTION 2

Total General Fund - Fund Balances at June 30, 2017 (Per CAFR Budgetary Comparison Schedule, Ex. C-1)	\$ 3,772,759.76 (C)
Decreased by:	
Year-End Encumbrances	<u>150,976.00 (C1)</u>
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>- (C2)</u>
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>746,025.83 (C3)</u>
Other Restricted Fund Balances ****	<u>1,642,107.05 (C4)</u>
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>94,530.17 (C5)</u>
Additional Assigned Fund Balance - Designated for Subsequent Year's Expenditures July 1, 2017-August 1, 2017	<u>- (C6) *****</u>
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C-6)]	<u>1,139,120.71 (U1)</u>

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	<u>\$ 746,232.18 (E)</u>
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Recapitulation of Excess Surplus as of June 30, 2017

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ 746,025.83 (C3)
Restricted - Excess Surplus *** [(E)]	<u>746,232.18 (E)</u>
Total Excess Surplus [(C3)+(E)]	<u>\$ 1,492,258.01 (D)</u>

EXCESS SURPLUS CALCULATION (CONT'D)

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

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 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 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.

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

Federal Impact Aid	\$ - (H)
Sale & Lease-back	- (I)
Extraordinary Aid	<u>92,837.00 (J1)</u>
Additional Nonpublic School Transportation Aid	<u>- (J2)</u>
Current Year School Bus Advertising Revenue Recognized	<u>- (J3)</u>
Family Crisis Transportation Aid	<u>- (J4)</u>
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 <u>\$ 92,837.00 (K)</u>

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2017-2018 general fund budget.

*** Amounts must agree to the June 30, 2017 CAFR and must agree to Audit Summary 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 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.

***** Increase in Assigned Fund Balance - Designated for Subsequent Year's expenditures July 1, 2017 to August 1, 2017 resulting from decrease in state aid after adoption of 2017-18 district budget. Refer to Commissioner's Broadcast and to page I-4.2 of this Audit Program.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ -
Sale/lease-back reserve	-
Capital reserve	<u>653,093.23</u>
Maintenance reserve	<u>989,013.82</u>
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 reserves	-
[Other Restricted Fund Balance not noted above]****	-
 Total Other Restricted Fund Balance	 <u>\$ 1,642,107.05 (C4)</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2017

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting***Finding No. 2017-001***

That the School District implement procedures to ensure compliance with statutory due dates for certain reports the School District is required to file with the State of New Jersey.

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

There were no audit findings for the prior fiscal year.

