

**BOROUGH OF WOODBINE
BOARD OF EDUCATION**

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

June 30, 2017

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/Improving America's Schools Act as reauthorized by the No Child Left Behind Act of 2001	3
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
School Food Service	4 - 5
Latchkey Enterprise Fund.....	5
Student Body Activities	5
Application for State School Aid	5
Pupil Transportation	5 - 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
Borough of Woodbine 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 Borough of Woodbine School District in the County of Cape May for the year ended June 30, 2017, and have issued our report thereon dated November 7, 2017.

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 Borough of Woodbine for the fiscal year ending June 30, 2017 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 7, 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

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>
Frank Onorato	Treasurer	\$180,000

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.

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. revealed one area of noncompliance and/or questionable costs.

Financial Planning, Accounting and Reporting (Continued)

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 \$18,800.

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.

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.

School Food Service (Continued)

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

Finding 2017-1:

The Net Position of the Latchkey Program was in a deficit, as of June 30, 2017.

Recommendation:

The Latchkey Program should be monitored, in order to eliminate the deficit in the fund.

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 14, 2016 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 with minor exceptions. 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 2016-17 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.

Pupil Transportation (Continued)

Finding 2017-2

There was one (1) student reported as attending a Non-Public School who was not in attendance for the 2016-17 school year.

Recommendation:

A verification of Non-Public School students should be done before final submission of the DRTRS Report.

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

**WOODBINE PUBLIC SCHOOL DISTRICT
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-2018 APPLICATION FOR STATE SCHOOL AID						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				
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	Sample for Verification	Sample Verified	Sample Errors	
Full Day 3 Year Olds	21		21				12		12								
Full Day 4 Year Olds	27		27				15		15								
Full Day Kindergarten	30		30				17		17								
One	28		28				16		16								
Two	13		13				7		7								
Three	13		13				7		7								
Four	10		10				6		6								
Five	13		13				7		7								
Six	10		10				6		6								
Seven	5		5				3		3								
Eight	10		10				6		6								
Subtotal	180	0	180	0	0	0	102	0	102	0	0	0	0	0			0
Special Ed - Elementary	32		32				18		18								
Special Ed - Middle	16		16				9		9								
Special Ed - High													3	1	1		
Subtotal	48	0	48	0	0	0	27	0	27	0	0	0	3	1			0
Totals	228	0	228	0	0	0	129	0	129	0	0	0	3	1			0
Percentage Error					0.00%	0.00%				0.00%	0.00%						0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**WOODBINE PUBLIC SCHOOL DISTRICT
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

	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	Errors	Sample Selected From Workpapers	Verified to Application and Register	Sample 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 Test Score and Register	Sample Errors
Full Day Kindergarten	26.0	26.0		16	16		2			1		
One	26.0	26.0		16	16		2			1		
Two	10.0	10.0		6	6		1					
Three	11.0	11.0		7	7							
Four	4.0	4.0		2	2							
Five	11.0	11.0		7	7							
Six	9.0	9.0		6	6							
Seven	4.0	4.0		2	2							
Eight	8.0	8.0		5	5							
Nine												
Ten												
Eleven												
Twelve												
Subtotal	109.0	109.0	0	67	67	0	5	0	0	2	0	0
Special Ed - Elementary	30.0	30.0		19	19		1			1		
Special Ed - Middle	16.0	16.0		10	10							
Special Ed - High							1					
Subtotal	46.0	46.0	0	29	29	0	2	0	0	1	0	0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	155.0	155.0	0	96	96	0	7	0	0	3	0	0
Percentage Error			0.00%			0.00%			0.00%			0.00%

TRANSPORTATION

	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
			Reported				Re-Calculated	
Reg. - Public Schools	64	64		44	44			
Reg. - Special Ed.								
Transported - Non-Public	18	18		12	11	1	Avg. Mileage - Regular Including Grade PK students	12.4
Aid in Lieu - Non-Public							Avg. Mileage - Regular Excluding Grade PK students	12.4
Special Needs - Public	38	38		26	26		Avg. Mileage - Special Ed with Special Needs	14.7
Totals	120	120	0	82	81	1		
Percentage Error			0.00%			1.22%		

SCHEDULE OF AUDITED ENROLLMENTS

WOODBINE PUBLIC SCHOOL DISTRICT
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Report On A.S.S.A. as NOT Low Income</u>	<u>Report On Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected From Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Subtotal	0	0	0	0	0	0
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	0	0	0	0	0	0
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	0	0	0	0	0	0
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

BOROUGH OF WOODBINE SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR	\$ <u>4,908,022</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>450,100</u>	(B2a)
Assets Acquired Under Capital Leases	<u> </u>	(B2b)
 Adjusted 16-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	 <u>4,457,922</u>	 (B3)
 2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	 <u>89,158</u>	 (B4)
Enter Greater of (B4) or \$250,000	<u>250,000</u>	(B5)
Increased by: Allowable Adjustment*	<u>-</u>	(K)
 Maximum Unassigned/Undesignated-Unreserved Fund Balance[(B5)+(K)]		 \$ <u>250,000</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>503,186</u>	(C)
Decreased by:		
Year-end Encumbrances	<u>125,113</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>128,073</u>	(C4)
Assigned Fund balance Unreserved - Designated for Subsequent Year's Expenditures	<u> </u>	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's July 1, 2017 - August - 1, 2017	<u> </u>	(C6) *****
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		 \$ <u>250,000</u> (U1)

**BOROUGH OF WOODBINE SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION**

SECTION 3

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

Recapitulation of Excess Surplus as of June 30, 2017

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 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	_____	(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)]	\$ -	(K)

- ** This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- *** Amounts must agree to the June 30, 2017 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 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 and Regulatory Compliance prior to September 30.
- ***** Increase in Assigned Fund Balance - Unreserved - 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 1-4.2 of this Audit Program.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	_____
Capital reserve	_____
Maintenance reserve	128,073
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 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	\$ 128,073 (C4)

AUDIT RECOMMENDATIONS SUMMARY

For the Fiscal Year Ended June 30, 2017

Borough of Woodbine Board of Education

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. Latchkey Enterprise Fund

Finding 2017-1

Recommendation:

The Latchkey Program should be monitored, in order to eliminate the deficit in the fund.

6. Student Body Activities - None
7. Application for State School Aid - None
8. Pupil Transportation

Finding 2017-2

Recommendation:

A verification of Non-Public School students should be done before final submission of the DRTRS Report.

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.