

**BOARD OF EDUCATION OF THE
MAGNOLIA SCHOOL DISTRICT
COUNTY OF CAMDEN**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**



**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**

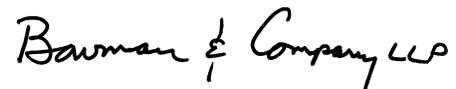
The Honorable President and
Members of the Board of Education
Magnolia School District
County of Camden, New Jersey

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 Magnolia School District, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2015, which were separately issued in the Comprehensive Annual Financial Report dated December 4, 2015.

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 Magnolia School District, for the fiscal year ended June 30, 2015, and is intended for the information of the School District's management and the New Jersey Department of Education and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert P. Nehila, Jr.
Certified Public Accountant
Public School Accountant No. CS 002065

Voorhees, New Jersey
December 4, 2015

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>
Greg Gontowski	Board Secretary / School Business Administrator	\$25,000.00
Robin Sarlo	Treasurer	170,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with NJSBAIG Company covering all other employees with multiple coverage of \$50,000.00.

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 Agency Payroll Account.

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

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

Payrolls were delivered to the Board Secretary / School Business Administrator who then deposited warrants in separate bank accounts for net payroll and withholdings.

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

Employee Position Control Roster

A sample of the Employee Position Control Roster indicated that it was in satisfactory condition.

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 reviewed 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 reviewed 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.

Treasurer of School Moneys'

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 Title 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.

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.

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

T.P.A.F. Reimbursement

Our audit procedures included a sample of the biweekly 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 reimbursement to the State for 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 subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

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

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 financial transactions and statistical records of the school food service fund were audited. The financial accounts, meal count records, and eligibility applications were reviewed on a sample basis. No exceptions were noted.

Cash receipts and bank records were sampled for timely deposit. No exceptions were noted.

The School District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract / addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$15,000.00. The operating results provision has been met.

Expenditures should be separately recorded as food, labor, and other costs. Vendor invoices were sampled and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

SCHOOL FOOD SERVICE (CONT'D)

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did exceed three months average expenditures by \$2,388.47; however, this amount is immaterial to the financial statements.

Sampled time sheets were reviewed and labor costs verified. Payroll records were maintained on all School food service employees authorized by the School District. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted / certified in a timely manner.

Sampled applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and / or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for audit.

USDA Food Distribution Program (food and / or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

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, 2014 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.

PUPIL TRANSPORTATION

Our audit procedures included a sample of on-roll status reported in the 2014-2015 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.

MISCELLANEOUS

Continuing Disclosure Agreements

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

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

There were no audit findings for the fiscal year ended June 30, 2014.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2015.

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 P. Nehila, Jr.
Public School Accountant No. CS 002065

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Application for State School Aid Summary
Enrollment as of October 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

	2015-2016 Application for State School Aid						Sample for Verification			Private Schools for the Disabled														
	Reported on A.S.S.A. On Roll		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		Sample for Verification		Sample Verified		Sample Errors					
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared		
Half Day Preschool	15		15		-		15		15		-													
Full Day Preschool																								
Half Day Kindergarten	49		49		-		49		49		-													
Full Day Kindergarten	38		38		-		38		38		-													
One	30		30		-		30		30		-													
Two	42		42		-		42		42		-													
Three	29		29		-		29		29		-													
Four	36		36		-		36		36		-													
Five	42		42		-		42		42		-													
Six	30		30		-		30		30		-													
Seven	40		40		-		40		40		-													
Eight																								
Nine																								
Ten																								
Eleven																								
Twelve																								
Post-Graduate																								
Adult H.S. (15+CR.)																								
Adult H.S. (1-14CR.)																								
Subtotal	351	-	351	-	-	-	351	-	351	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Education-Elementary	43		43		-		7		7		-													
Special Education-Middle School	23		23		-		4		4		-													
Special Education-High School																								
Subtotal	66	-	66	-	-	-	11	-	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. - Regular																								
Co. Voc. Ft. Post Sec.																								
Totals	417	-	417	-	-	-	362	-	362	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Error																								

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
Application for State School Aid Summary
Enrollment as of October 15, 2014

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	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 Application, Test Score and Register	Sample Errors
Half Day Preschool	20	20	-	15	15	-						
Full Day Preschool	21	21	-	19	19	-						
Half Day Kindergarten	13	13	-	12	12	-	2	2	-	2	2	-
Full Day Kindergarten	22	22	-	18	18	-						
One	9	9	-	9	9	-						
Two	17	17	-	17	17	-						
Three	18	18	-	18	18	-						
Four	14	14	-	6	6	-						
Five	22	22	-	10	10	-	1	1	-	1	1	-
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14CR.)												
Subtotal	156	156	-	124	124	-	3	3	-	3	3	-
Special Education-Elementary	19	19	-			-	2	2		2	2	
Special Education-Middle School	17	17	-			-						
Special Education-High School												
Subtotal	36	36	-			-	2	2	-	2	2	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	192	192	-	124	124	-	5	5	-	5	5	-
Percentage Error												
Transportation												
	Reported on DTRTS by DOE/County	Reported on DTRTS by District	Errors	Tested	Verified	Errors				Reported	Re-Calculated	
Reg. - Public Schools, Col. 1	4	4	-	4	4	-				-	-	-
Reg. - SpEd, Col. 4												
Transported - Non-Public, Col. 3												
Special Needs, Col. 6	4	4	-	4	4	-				20.70	20.70	-
Totals	4	4	-	4	4	-				20.70	20.70	-
Percentage Error												

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

BOROUGH OF MAGNOLIA SCHOOL DISTRICT
 Application for State School Aid Summary
 Enrollment as of October 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

	Reported on		Resident LEP NOT Low Income		Sample for Verification		
	A.S.A. as NOT Low Income	Workpapers as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application, Test Score and Register	Sample 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. (1-14CR.)							
Subtotal	-	-	-	-	-	-	-
Special Education-Elementary							
Special Education-Middle School							
Special Education-High School							
Subtotal	-	-	-	-	-	-	-
Co. Voc. - Regular							
Co. Voc. Ft. Post Sec.							
Totals	-	-	-	-	-	-	-
Percentage Error							

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

SECTION 1

2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures Reported on CAFR Exhibit C-1	<u>6,773,087.87</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>627,803.58</u> (B2a)
Assets Acquired Under Capital Leases	<u>-</u> (B2b)
Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>6,145,284.29</u> (B3)
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	<u>122,905.69</u> (B4)
Enter Greater of (B4) or \$250,000	<u>250,000.00</u> (B5)
Increased by: Allowable Adjustment *	<u>13,058.00</u> (K)
Maximum Unassigned Fund Balance [(B5) + (K)]	<u>263,058.00</u> (M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2015 (Per CAFR Budgetary Comparison Schedule, Ex. C-1)	<u>3,016,538.21</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>921,801.18</u> (C3)
Other Restricted Fund Balances ****	<u>878,302.74</u> (C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>27,545.72</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>1,188,888.57</u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	<u>925,830.57</u> (E)
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Recapitulation of Excess Surplus as of June 30, 2015

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>921,801.18</u> (C3)
Restricted - Excess Surplus *** [(E)]	<u>925,830.57</u> (E)
Total Excess Surplus [(C3)+(E)]	<u>1,847,631.75</u> (D)

EXCESS SURPLUS CALCULATION (CONT'D)

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

Footnotes:

* This adjustment line (as detailed below) is to be utilized when applicable for:

Federal Impact Aid. The passage of P.L.2015, c46 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, 2015 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).

Sale & Lease-back, Extraordinary Aid, Additional Nonpublic School Transportation Aid, Recognized current year School Bus Advertising Revenue, and Family Crisis Transportation Aid. Refer to the Audit Program Section II, Chapter 10.

Detail of Allowable Adjustments

Federal 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, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2015-2016 general fund budget.

*** Amounts must agree to the June 30, 2015 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.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	_____	
Sale/lease-back reserve	_____	
Capital reserve	_____	625,400.18
Maintenance reserve	_____	162,722.39
Emergency reserve	_____	90,180.17
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	 _____	 878,302.74 (C4)

