

**CITY OF MARGATE  
BOARD OF EDUCATION**

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

**June 30, 2009**



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

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Tax ID Number      21-6000236



**Report of Independent Auditors**

Honorable President and  
Members of the Board of Education  
City of Margate School District  
County of Atlantic, 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 City of Margate School District in the County of Atlantic for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009.

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 solely for the information and use of the management of the City of Margate Board of Education, the New Jersey Department of Education (the cognizant audit agency) and other state and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Robert E. Swartz, CPA*

Robert E. Swartz, CPA  
Licensed Public School Accountant  
No. CS00667

*Swartz & Co., LLC*

Swartz & Co., LLC  
Certified Public Accountants

October 16, 2009

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## **ADMINISTRATIVE FINDINGS - FINANCIAL COMPLIANCE AND PERFORMANCE**

### **Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Education, 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)**

Name	Position	Amount
Susan Palaia	Board Secretary/ School Business Administrator	\$100,000.00
Thomas D. Hiltner	Treasurer	200,000.00

#### **Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billing of its receiving district for the decrease in per pupil costs in accordance with NJAC 6A:23-3.1(f)3.

### **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.

#### **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/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

#### 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 NJAC 6A:23-2.2(f) as part of our test of transactions of randomly selected expenditures 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 NJAC 6A:23-8.2. As a result of the procedures performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

##### ***A. General Classification Findings***

None

##### ***B. Administrative Classification Findings***

None

#### Board Secretary's Records

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

#### Treasurer's Records

The following item was noted during our review of the records of the treasurer.

##### ***Finding:***

Funds received by the district were not deposited in a timely manner. In addition, the amount on a recreation department receipt was changed and the lower amount was deposited. No explanation was provided as to why this change was made. Both of these items relate to the recreation department which, as of October 1, 2009, now reports to the City of Margate. Based on this no recommendation is warranted.



**Elementary and Secondary Education Act of 1965 (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.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

**Other Special Federal and/or State Projects**

The district's Special Projects were approved as listed on Schedule K-3 and Schedule K-4 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.

The study of compliance for special projects indicated no areas 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.

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertisement for Bids**

N.J.S.A. 18A:18A-3 states:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is

qualified pursuant to subsection b. (pending C.40A:11-9) the board of education may establish that the bid threshold may be up to \$29,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to the section.

- b. Commencing in the fifth year after the year in which P.L. 1999, c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rat as that term is defined in NJS 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of NJSA 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other.

The board of education may, by resolution approved by a majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had prior negative experience with the bidder."

Effective July 1, 2005 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are \$21,000 and \$15,000 respectively.

The business administrator of the school district is a qualified purchasing agent and the board of education has adopted a resolution to establish a bid threshold of \$29,000.

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or services, the results of such an

accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine if any clear-cut violations existed.

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, as amended.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. My examination did reveal, however, that the following purchases were made through the use of State contracts:

#### Dell Computers

***Finding:***

Vouchers submitted for payment did not include the necessary information such as, receiving signatures, dates, proper approval, business registration, and purchase order rationale. As a result of a change in personnel within the business office during the 2009 fiscal year, these items were not consistently obtained during the transition period. As a result, no recommendation is warranted.

#### **School Food Service**

The financial transactions and statistical records of the school food services fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

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

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 not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education. 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.

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 on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

Food Distribution Program commodities were received and a single inventory was maintained on a first-in, first-out basis. The commodities received are sent directly to the Mainland Regional High School District, who prepares all meals for the Margate City Board of Education. No discrepancies were noted with the Food Distribution Program commodities.

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

### **Student Body Activities**

The records of the student activity funds were maintained in accordance with board policies. The records were maintained in satisfactory condition.

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2007 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 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 2007-2008 District Report of Transported Students (DRTRS). The information that was included on the DRTRS was verified

to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a 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.

### **Follow-up on Prior Years' Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. No recommendations were reported in the prior year.

### **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.

**SCHEDULE OF MEAL COUNT ACTIVITY**

**CITY OF MARGATE SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM  
ENTERPRISE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>(OVER) UNDER CLAIM</u>
National School Lunch	Paid	7,977	7,977	7,977	0	0.28	\$0
	Reduced	3	3	3	0	2.27	0
	Free	6,386	6,386	6,386	0	2.67	0
	TOTAL	<u>14,366</u>	<u>14,366</u>	<u>14,366</u>	<u>0</u>		<u>0</u>
TOTAL NET (OVER)/UNDER CLAIM							<u>\$0</u>

CITY OF MARGATE SCHOOL DISTRICT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2008

	2009-10 Application for State School Aid (10/15/08 data)			Sample for Verification								
	Reported on A.S.S.A. on Roll			Sample Selected from Workpapers			Verified per Registers on Roll			Errors per Registers on Roll		
	Full	Shared		Full	Shared		Full	Shared		Full	Shared	
Pre-K Half Day	40			13			13					
Full Day Kindergarten	58			19			19					
One	49			16			16					
Two	51			17			17					
Three	49			16			16					
Four	55			18			18					
Five	64			21			21					
Six	59			19			19					
Seven	62			20			20					
Eight	49			16			16					
Subtotal	536	0	0	175	0	0	175	0	0	0	0	0
Special Ed Elementary	49			16			16					
Special Ed Middle School	19			6			6					
Subtotal	68	0	0	22	0	0	22	0	0	0	0	0
Totals	604	0	0	197	0	0	197	0	0	0	0	0
Percentage				0.00%			0.00%			0.00%		0.00%

CITY OF MARGATE SCHOOL DISTRICT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2008

	Private Schools for Disabled			Resident Low Income			Sample for Verification			Resident LEP Low Income			
	Reported on ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors
Pre-K Half Day	0	0	0	0	3	3	0	3	3	0	0	0	0
Full Day Kindergarten					36	36	0	30	30	0	0	0	0
One					5	5		4	4				
Two					4	4		3	3				
Three					3	3		3	3				
Four					6	6		5	5				
Five					5	5		4	4				
Six					5	5		4	4				
Seven					5	5		4	4				
Eight					0	0		0	0				
Subtotal	0	0	0	0	36	36	0	30	30	0	0	0	0
Special Ed Elementary	2	2	2	2	10	10		9	9				
Special Ed Middle School	2	2	2	0	2	2		2	2				
Subtotal	2	2	2	0	12	12	0	11	11	0	0	0	0
Totals	2	2	2	0	48	48	0	41	41	0	0	0	0
Percentage Error				0.00%			0.00%			0.00%			0.00%



CITY OF MARGATE SCHOOL DISTRICT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2008

	Sample for Verification		Resident LEP Not Low Income		Sample for Verification		
	Sample Selected from Workpapers	Verified to Test Score and Register	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Pre-K Half Day	0	0	0	0	0	0	0
Full Day Kindergarten							
One							
Two							
Three							
Four							
Five							
Six							
Seven			1	1	1	1	
Eight			1	1	1	1	
Subtotal	0	0	0	0	0	0	0
Special Ed Elementary							
Special Ed Middle School							
Subtotal	0	0	0	0	0	0	0
Totals	0	0	1	1	1	1	0
Percentage Error	0.00%						

	Transportation				
	Reported on DRTS by DOE/county	Reported on DRTS by District	Tested	Verified	Errors
Reg.-Public Schools col. 1	129	129	74	74	
Reg.-SpEduc, col. 4	20	20	11	11	
Transported - Non-Public, col. 3	50	50	48	48	
Special Needs, col. 6	12	12	7	7	
Totals	211	211	140	140	0
Percentage Error	0.00%				

Avg. Mileage-Regular including Grade PK student	Reported	6.0	Re-Calculated	6.0
Avg. Mileage-Regular excluding Grade PK student	Reported	6.0	Re-Calculated	6.0
Avg. Mileage-Special Ed with Special Needs	Reported	8.5	Re-Calculated	8.5

**EXCESS SURPLUS CALCULATION**

**EXCESS SURPLUS CALCULATION**

**SECTION 1**

**B. 2% Calculation of Excess Surplus**

2008-09 Total General Fund Expenditures per the CAFR, Ex. C-1	\$12,800,924	(B)	
Increased by:			
Transfer to Food Service Fund	112,613	(B1a)	
Transfer from Capital Outlay to Capital Projects Fund	0	(B1b)	
Transfer from Capital Reserve to Capital Projects Fund	0	(B1c)	
Decreased by:			
On-Behalf TPAF Pension & Social Security	(653,669)	(B2a)	
Assets Acquired Under Capital Leases	0	(B2b)	
Adjusted 08-09 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$12,259,868</u>	(B3)	
2% of Adjusted 2008-09 General Fund Expenditures [(B3) times .02]	<u>245,197</u>	(B4)	
Enter greater of (B4) or \$250,000	250,000	(B5)	
Increased by: Allowable Adjustment *	<u>39,028</u>	(K)	
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]			<u>\$289,028</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-09 (Per CAFR Budgetary Comparison Schedule C-1)	2,572,431	C	
Decreased by:			
Reserved for Encumbrances	(29,957)	(C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	0	(C2)	
Excess Surplus - Designated for Subsequent Year's Expenditures **	(1,217,997)	(C3)	
Other Reserved Fund Balances ****	(275,000)	(C4)	
Unreserved -- Designated for Subsequent Year's Expenditures	<u>(585,393)</u>	(C5)	
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]			<u>\$464,084</u> (U1)

**SECTION 3 - ALL DISTRICTS**

Reserved Fund Balance - Excess Surplus \*\*\* [(U2)-(M)] IF NEGATIVE ENTER -0- \$175,056 (E)

**Recapitulation of Excess Surplus as of June 30, 2009**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	1,217,997	(C3)
Reserved Excess Surplus ***[(E)]	<u>175,056</u>	(E)
Total [(C3) + (E) + (F)]	<u>\$1,393,053</u>	(D)

\* This adjustment line (as detailed below) is to be utilized for Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), and Extraordinary Aid, and additional Nonpublic School Transportation Aid if applicable (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid).

**Detail of Allowable Adjustments**

Impact Aid	\$0	(H)
Sale & Lease-back	0	(I)
Extraordinary Aid	11,152	(J1)
Additional Nonpublic School Transportation Aid	27,876	(J2)
Higher Expectations for Learning and Proficiency Aid	<u>0</u>	(J3)
Total Adjustments [(H)+(I)+J1)+(J2)]	<u>\$39,028</u>	(K)

\*\* This amount represents the June 30, 2008 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

\*\*\* Amounts must agree to the June 30, 2009 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 Reserved Fund Balance:**

Statutory restrictions:	
Maintenance reserve	\$25,000
Emergency reserve	<u>250,000</u>
	<u>\$275,000</u>