

PINELANDS REGIONAL SCHOOL DISTRICT

Little Egg Harbor, New Jersey
County of Ocean

**Auditors' Management Report on Administrative Findings -
Financial, Compliance and Performance
for The Year Ended June 30, 2015**

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

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**REPORT OF INDEPENDENT AUDITORS
AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE**

Honorable President and Members
of the Board of Education
Pinelands Regional School District
County of Ocean
Little Egg Harbor, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Pinelands Regional School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 16, 2015.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Pinelands Regional 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,

HOLMAN FRENIA ALLISON, P.C.

Rodney R. Haines
Public School Accountant
Certified Public Accountant, No. 2198

Toms River, New Jersey
December 16, 2015

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Honorable President and Members
of the Board of Education
Pinelands Regional School District
County of Ocean
Little Egg Harbor, New Jersey 08087

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary and Treasurer of School Monies, 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

Name	Position	Amount
Steven Brennan	Business Administrator/Board Secretary	\$250,000
James Edwards	Treasurer	250,000

Tuition Charges

The Board is not a receiving District for Tuition purposes. There is a small amount of tuition revenue for individual students enrolled in the District. Proper tuition adjustments to the billings to sending Districts were made in accordance with *N.J.A.C.6A:23-3.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated that the vouchers were in satisfactory condition.

Financial Planning, Accounting and Reporting (continued)

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, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

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 test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit procedures.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary found them to be in satisfactory condition.

Bids received were summarized in the minutes (*N.J.S.A.18A:18A-21*).

Acknowledgment of the Board's receipt of the Board Secretary and Treasurer's monthly financial reports was included in the minutes.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer of School Monies were found to be in satisfactory condition.

Financial Planning, Accounting and Reporting (continued)

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 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 VI of the Elementary and Secondary Education Act as amended and reauthorized.

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 Exhibits K-3 and 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 with the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

No exceptions were noted in our study of compliance for the special projects.

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.

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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

During our review of the prior year's TPAF reimbursement to the State for federal salary expenditures, we noted the following:

Finding 2015-001:

Condition:

N.J.S.A. 18A:66-90 requires that each local board of education reimburse the State of New Jersey for the employer's share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members paid from federally funded programs. The District did not reimburse the State of New Jersey for the employer's share of benefits for TPAF members paid from federally funded programs from the year ended June 30, 2014.

Financial Planning, Accounting and Reporting (continued)

Finding 2015-001 (continued):

Recommendation:

The District should adopt internal control procedures designed to ensure that these reimbursements are remitted within the statutory liquidation period.

Management's Response:

The District has corrected this during the year ended June 30, 2016 with a payment to the State of New Jersey in the amount of \$33,800.91 on September 9, 2015.

School Purchasing Program

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 school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

The bid thresholds in accordance with *N.J.S.A.18A:18A-2* and *18A:18A-3(a)* are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 \$18,300 for 2014-15. Pinelands Regional School District had a qualified purchasing agent for the year ended June 30, 2015.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of our examination 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*. 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 Services were maintained in satisfactory condition. The financial transactions and statistical records of the school food service 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 without exception.

School Food Service

The 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 included an operating results provision which guarantees that the food service program will return a profit of at least \$56,395. The operating results provision has not been met.

Expenditures were 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 nonprofit 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 verified against 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 did not exceed 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 and free milk policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program commodities were received and a separate 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.

Student Body Activities

Our review of the student activity funds were in satisfactory condition.

Application for State School Aid (ASSA)

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped and low-income, and bilingual. We also performed a review of the district's procedures related to its completion. The information on the ASSA was compared to the 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.

Application for State School Aid (ASSA) (continued)

The District maintained workpapers on the prescribed state forms of 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 2014-2015 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 included a review of transportation contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the District's fixed assets general ledger, transfer of local funds from the general fund or from the capital reserve account and awarding of contracts for eligible facilities construction.

Follow-up on Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no 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. Should you have any questions concerning our comments or should you desire any assistance, please call us.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Rodney R. Haines
Certified Public Accountant
Public School Accountant, No. 2198

Toms River, New Jersey
December 16, 2015

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

**PINELANDS REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	2013-2014 Application for State School Aid						Sample for Verification				Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Workpapers		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Seven	213	-	213	-	-	-	37	-	37	-	-	-	-	-	-	-
Eight	213	-	213	-	-	-	37	-	37	-	-	-	-	-	-	-
Nine	205	-	205	-	-	-	35	-	35	-	-	-	-	-	-	-
Ten	233	1	233	1	-	-	40	-	40	-	-	-	-	-	-	-
Eleven	191	24	191	24	-	-	35	-	35	-	-	-	-	-	-	-
Twelve	201	13	201	13	-	-	36	-	36	-	-	-	-	-	-	-
Subtotal	1,256	38	1,256	38	-	-	220	-	220	-	-	-	-	-	-	-
Special Ed - Middle School	117	-	117	-	-	-	20	-	20	-	-	-	-	5	5	5
Special Ed - High School	171	35	171	35	-	-	32	-	32	-	-	-	-	6	6	6
Subtotal	288	35	288	35	-	-	52	-	52	-	-	-	-	11	11	11
Totals	1,544	73	1,544	73	-	-	272	-	272	-	-	-	-	11	11	11
Percentage Error					0%				0%				0%		0%	

SCHEDULE OF AUDITED ENROLLMENTS (2)

**PINELANDS REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	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
Seven	76	76	-	23	23	-	1	1	-	1	1	-
Eight	85	85	-	26	26	-	1	1	-	1	1	-
Nine	80	80	-	24	24	-	2	2	-	2	2	-
Ten	79	79	-	24	24	-	2	2	-	1	1	-
Eleven	76	76	-	25	25	-	2	2	-	1	1	-
Twelve	69	69	-	22	22	-	1	1	-	1	1	-
Subtotal	465	465	-	144	144	-	8.5	8.5	-	7	7	-
Special Ed - Middle	63	63	-	19	19	-	-	-	-	-	-	-
Special Ed - High	103.5	103.5	-	34	34	-	1	1	-	1	1	-
Subtotal	166.5	166.5	-	53	53.0	-	1	1	-	1	1	-
Totals	631.5	631.5	-	197	197.0	-	9.5	9.5	-	8	8	-
Percentage Error			0%			0%			0%			0%

Transportation

	Reported on DRTS by DOE/county		Reported on DRTS by District		Errors		Tested		Verified		Errors	
	col. 1	col. 4	col. 2	col. 3	col. 1	col. 2	col. 1	col. 2	col. 1	col. 2	col. 1	col. 2
Reg. - Public Schools, col. 1	926	926	-	187	187	-	-	-	-	-	-	-
Reg - SpEd, col. 4	269	269	-	54	54	-	-	-	-	-	-	-
AIL, col. 2	3	3	-	1	1	-	-	-	-	-	-	-
Transported - Non-Public, col. 3	41	41	-	8	8	-	-	-	-	-	-	-
Special Ed Spec, col. 6	69	69	-	14	14	-	-	-	-	-	-	-
Totals	1,308	1,308	-	264	264	-	-	-	-	-	-	-
Percentage Error			0%			0%			0%			0%

SCHEDULE OF AUDITED ENROLLMENTS (3)

**PINELANDS REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Seven	1	1	-	1	1	-
Eight	-	-	-	-	-	-
Nine	-	-	-	-	-	-
Ten	1	1	-	1	1	-
Eleven	-	-	-	-	-	-
Twelve	2	2	-	2	2	-
Subtotal	4	4	-	4	4	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	1	1	-	1	1	-
Subtotal	1	1	-	1	1	-
Totals	5	5	-	5	5	-
Percentage Error			<u>0%</u>			<u>0%</u>

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EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2014-2015 Total General Fund Expenditures per the CAFR, Ex. C-1		\$	<u>33,539,083</u>		(B)
Increased by:					
Transfer from Capital Outlay to Capital Projects Fund		\$	<u> </u>		(B1a)
Transfer from Capital Reserve to Capital Projects Fund		\$	<u>36,801</u>		(B1b)
Transfer from General Fund to SRF for Pre-Regular		\$	<u> </u>		(B1c)
Transfer from General Fund to SRF for Pre-Inclusion		\$	<u> </u>		(B1d)
Decrease by:					
On-Behalf TPAF Pension & Social Security		\$	<u>(2,835,309)</u>		(B2a)
Assets Acquired Under Capital Leases		\$	<u>(400,000)</u>		(B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]		\$	<u><u>30,340,575</u></u>		(B3)
2% of adjusted 2014-2015 General Fund Expenditures [(B3) times .02]		\$	<u>606,812</u>		(B4)
Enter Greater of (B4) or \$250,000		\$	<u>606,812</u>		(B5)
Increased by: Allowable Adjustment *		\$	<u>115,790</u>		(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$	<u><u>722,602</u></u>		(M)

SECTION 2

Total General Fund - Fund Balance @6-30-2015 (Per CAFR Budgetary Comparison Schedule C-1)		\$	<u>2,061,222</u>		(C)
Decreased by:					
Year-End Encumbrances		\$	<u>(12,353)</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>(423,797)</u>		(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures		\$	<u>(968,857)</u>		(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		\$	<u><u>656,215</u></u>		(U1)

REGULAR DISTRICT (continued):

SECTION 3

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

Recapitulation of excess surplus as of June 30, 2015

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** \$ - (C3)
 Reserved Excess Surplus *** [(E)] \$ - (E)
 Total [(C3) + (E)] \$ - (D)

Footnotes:

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ <u> </u>	(H)
Sale & Lease-back	\$ <u> </u>	(I)
Extraordinary Aid	\$ <u> 111,055</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ <u> 4,735</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ <u> </u>	(J3)
 Total Adjustments [(H)+(I)+J1)+(J2)]	 \$ <u> 115,790</u>	 (K)

** This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amounts must agree to the June 30, 2015 CAFR and 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 another 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.

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ <u> </u>
Sale/Lease-Back Reserve	\$ <u> </u>
Capital Reserve	\$ <u> 422,389</u>
Maintenance Reserve	\$ <u> 939</u>
Emergency Reserve	\$ <u> 469</u>
Tuition Reserve	\$ <u> </u>
School Bus Advertising 50% Fuel Offset Reserve - current year	\$ <u> </u>
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$ <u> </u>
Other State/Government Mandated Reserve	\$ <u> </u>
[Other Restricted Fund Balance Not Noted Above] ****	\$ <u> </u>
 Total Other Restricted Fund Balance	 \$ <u> 423,797</u> (C4)