

SOUTHERN REGIONAL SCHOOL DISTRICT

**Manahawkin, New Jersey
County of Ocean**

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
For The Year Ended June 30, 2016**

**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
Southern Regional School District
County of Ocean
Manahawkin, New Jersey 08050

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 Southern Regional School District in the County of Ocean for the year ended June 30, 2016, and have issued our report thereon dated December 1, 2016.

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 Southern 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.

Michael Holt
Certified Public Accountant
Public School Accountant
No. 1148

Toms River, New Jersey
December 1, 2016

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Honorable President and Members
of the Board of Education
Southern Regional School District
County of Ocean
Manahawkin, New Jersey 08050

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education, the records of the Athletic Fund, the Student Activity Fund, Food Service Fund and Special Revenue Fund under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Basic 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
Steve Terhune	Business Administrator/Board Secretary	\$300,000
Kevin O'Shea	Treasurer	300,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company covering all other employees with multiple coverage of \$25,000.

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 billings to sending Districts for the decrease in per pupil costs in accordance with *N.J.A.C.6:23-3.1(f) 2*.

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.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employee's 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 who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

An inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit, the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

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 N.J.A.C.6A:23-1.2 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:23A-8.3. 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.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition.

Treasurer's Records

The Treasurer's records were reviewed and found to be 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 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, II, IV, and 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.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B 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 tests of compliance for the major federal and state programs selected did not indicate any areas of noncompliance.

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.

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 for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.18A:18A-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 law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to *N.J.S.A.18A:18A-3* except by contract or agreement."

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

School Purchasing Programs (continued)

regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800 for 2015-16. The Southern Regional School District currently has a Qualified Purchasing Agent.

The district Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year (contract year for July 1, 2015 and thereafter). 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 my examination, I 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 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.

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's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

Student Body Activities

A minimal cash receipts and disbursements record was maintained in satisfactory condition. The financial transactions of the student body activities were maintained in satisfactory condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (A.S.S.A.) for On-Roll, private schools for the handicapped and low-income. 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. 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 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS as 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.

Follow-up on Prior Years' Findings:

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action was taken on all prior year finding.

There were no findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC).

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.

Michael Holt
Certified Public Accountant
Public School Accountant, No. 1148

Toms River, New Jersey
December 1, 2016

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ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

SOUTHERN REGIONAL SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 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	367	-	-	-	-	-	37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eight	336	-	-	-	-	-	34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nine	407	-	-	-	-	-	41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ten	384	1	-	1	-	-	39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	387	31	-	31	-	-	39	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	365	32	-	32	-	-	37	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	2,246	64	2,246	64	-	-	227	6	227	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Middle School	190	-	190	-	-	-	19	-	19	-	-	-	-	-	-	-	-	-	-	-	1	1	1	1
Special Ed - High School	379	59	379	59	-	-	38	7	38	7	-	-	-	-	-	-	-	-	-	-	5	5	5	5
Subtotal	569	59	569	59	-	-	57	7	57	7	-	-	-	-	-	-	-	-	-	-	6	6	6	6
Totals	2,815	123	2,815	123	-	-	284	13	284	13	-	-	-	-	-	-	-	-	-	-	6	6	6	6
Percentage Error	0%			0%			0%			0%			0%			0%			0%			0%		

SCHEDULE OF AUDITED ENROLLMENTS (2)

SOUTHERN REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.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.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	73.00	73.00	-	32.00	32.00	-	-	-	-	-	-	-
Eight	48.00	48.00	-	21.00	21.00	-	-	-	-	-	-	-
Nine	67.00	67.00	-	29.00	29.00	-	6.00	6.00	-	5.00	5.00	-
Ten	44.00	44.00	-	19.00	19.00	-	1.00	1.00	-	1.00	1.00	-
Eleven	54.00	54.00	-	23.00	23.00	-	1.00	1.00	-	1.00	1.00	-
Twelve	62.50	62.50	-	27.00	27.00	-	1.00	1.00	-	1.00	1.00	-
Subtotal	348.50	348.50	-	151.00	151.00	-	9.00	9.00	-	8.00	8.00	-
Special Ed - Middle	61.00	61.00	-	26.00	26.00	-	-	-	-	-	-	-
Special Ed - High	128.00	128.00	-	55.00	55.00	-	-	-	-	-	-	-
Subtotal	189.00	189.00	-	81.00	81.00	-	-	-	-	-	-	-
Totals	537.50	537.50	-	232.00	232.00	-	9.00	9.00	-	8.00	8.00	-
Percentage Error			0%			0%			0%			0%

Transportation

	Reported on DRTRS by DOE/county		Reported on DRTRS by District		Errors		Tested		Verified		Errors	
	DOE/county	1,730	District	1,730	Errors	Tested	Verified	Tested	Verified	Errors	Tested	Verified
Reg. - Public Schools, col. 1	1,730	1,730	-	209	-	209	209	-	-	-	-	-
Reg - SpEd, col. 4	465	465	-	56	-	56	56	-	-	-	-	-
Transported - Non-Public, col. 3	125	125	-	15	-	15	15	-	-	-	-	-
Special Ed Spec, col. 6	31	31	-	4	-	4	4	-	-	-	-	-
Totals	2,351	2,351	-	284	-	284	284	-	-	-	-	-
Percentage Error			0%					0%				0%

SCHEDULE OF AUDITED ENROLLMENTS (3)

**SOUTHERN REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<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	-	-	-	-	-	-
Eight	-	-	-	-	-	-
Nine	3	3	-	2	2	-
Ten	1	1	-	1	1	-
Eleven	1	1	-	1	1	-
Twelve	2	2	-	2	2	-
Subtotal	<u>7</u>	<u>7</u>	<u>-</u>	<u>6</u>	<u>6</u>	<u>-</u>
Special Ed - Middle	1	1	-	1	1	-
Special Ed - High	1	1	-	1	1	-
Subtotal	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Totals	<u>9</u>	<u>9</u>	<u>-</u>	<u>8</u>	<u>8</u>	<u>-</u>
Percentage Error		<u>0%</u>			<u>0%</u>	

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>59,711,561</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>-</u> (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>-</u> (B1c)
Decrease by:	
On-Behalf TPAF Pension & Social Security	\$ <u>(5,391,802)</u> (B2a)
Assets Acquired Under Capital Leases	\$ <u>-</u> (B2b)
Adjusted 2015-2016 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>54,319,759</u> (B3)
2% of adjusted 2015-2016 General Fund Expenditures [(B3) times .02]	\$ <u>1,086,395</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>1,086,395</u> (B5)
Increased by: Allowable Adjustment *	\$ <u>437,072</u> (K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ <u>1,523,467</u> (M)

SECTION 2

Total General Fund - Fund Balance @6-30-2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>10,544,772</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>(69,782)</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>(8,449,262)</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>(502,261)</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>1,523,467</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, 2016

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> 423,637</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ <u> 13,435</u>	(J2)
Unbudgeted TPAF Wage Freeze Grant Funding	\$ <u> </u>	(J3)
Total Adjustments [(H)+(I)+J1)+(J2)]	\$ <u> 437,072</u>	(K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2016 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 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> 4,819,400</u>	
Maintenance Reserve	\$ <u> 2,029,862</u>	
Emergency Reserve	\$ <u> </u>	
Tuition Reserve	\$ <u> 1,600,000</u>	
Other State/Government Mandated Reserve	\$ <u> </u>	
[Other Restricted Fund Balance Not Noted Above] ****	\$ <u> </u>	
Total Other Restricted Fund Balance	\$ <u> 8,449,262</u>	(C4)