

**MAINLAND REGIONAL  
BOARD OF EDUCATION  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**MAINLAND REGIONAL HIGH SCHOOL DISTRICT  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and  
Members of the Board of Education  
Mainland Regional High School District  
County of Atlantic, New Jersey

## REPORT OF INDEPENDENT AUDITORS

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Mainland Regional High School District in the County of Atlantic for the year ended June 30, 2017, and have issued our report thereon dated November 16, 2017.

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 Mainland Regional High School Board of Education's management and the New Jersey Department of Education (cognizant agency), other state and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these parties.

*Ford, Scott & Associates, L.L.C.*

FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Michael S. Garcia*

Michael S. Garcia  
Certified Public Accountant  
Licensed Public School Accountant  
No. 2080

November 16, 2017

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**MAINLAND REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND  
PERFORMANCE REPORTING**

**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, 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-13, Insurance Schedule contained in the District's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Kim Jensen	Board Secretary/School Business Administrator	\$100,000.00
Crime Insurance		\$500,000.00

Tuition Charges

The District did not have any tuition students during the 2014-2015 school year where an adjustment would have been required for the 2016-2017 school year. Therefore, no comparison was made of tentative tuition charges and actual certified charges.

**Financial Planning, Accounting and Reporting**

Examination of Claims

An examination of claims paid during the period under review did not indicate any material 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.

Employee Position Control Roster

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

**MAINLAND REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND  
PERFORMANCE REPORTING  
(CONTINUED)**

**Financial Planning, Accounting and Reporting (Continued)**

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. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* 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-2.4*. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of account and minutes were presented to us by the Secretary for audit and were complete.

Treasurer's Records

There were no items noted during our review of the Treasurer's records.

Elementary and Secondary School Improvement Act of 1988 (E.S.E.A.)/Improving America's Schools Act (IA) 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 Title I, Title II, Title IV, V and Title VI of the Elementary and Secondary Education Act as Amended.

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 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.



**MAINLAND REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND  
PERFORMANCE REPORTING  
(CONTINUED)**

**Financial Planning, Accounting and Reporting (Continued)**

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. 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 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 recorded as obligated and not expended and as an unliquidated balance in the current year's Final Report for all federal awards.

**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* are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (Without a Qualified Purchasing Agent), respectively. The Board of Education has a qualified purchasing agent. 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 of 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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

**School Food Services**

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 significant exceptions were noted.

**MAINLAND REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND  
PERFORMANCE REPORTING  
(CONTINUED)**

**School Food Services (Continued)**

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.

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with NJSA 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract 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 \$133,156. The operating results provision has not been met and the FSMC returned its management fee during the year.

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. 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 and free milk 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.

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.

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.

Cash receipts and bank records were reviewed for timely deposits.

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 school food service. Net cash resources did not exceed three months average expenditures.

Food Distribution Program commodities were received and a separate inventory was maintained; however, we could not ascertain that it was maintained on a first-in, first-out basis.

**Finding 2017-001:**

The Food Service Fund (Proprietary Fund) has a deficit Net Position at year end.

**Recommendation:**

That the Board of Education budget sufficient funds in the subsequent years budget to fund the deficit in Net Position in the Food Service Fund.

**MAINLAND REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND  
PERFORMANCE REPORTING  
(CONTINUED)**

**School Food Services (Continued)**

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Fund Financial Statements, Section B of the CAFR.

**Student Body Activities and Athletic Association**

Our audit of the student activities and athletic funds 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 (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 with the following exceptions. The information that was included on the workpapers was verified. The results of our procedures are presented in the Schedule of Audited Enrollments.

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 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. 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.

**Testing for Lead of All Drinking Water in Educational Facilities**

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all the prior year findings with the exception of the following, which is repeated for the Food Service Fund in this year's recommendations noted as current year finding 2017-001:

The Food Service Fund (Proprietary Fund) has deficit Net Position at year end.

**Acknowledgment**

We received the complete cooperation of all officials of the school district and we greatly appreciate the courtesies extended to us.

# NET CASH RESOURCE SCHEDULE

## Net cash resources did not exceed three months of expenditures Proprietary Funds - Food Service FYE 2017

<u>Net Cash Resources:</u>		Food Service B - 4/5	
<b>CAFR</b>	*	<b>Current Assets</b>	
B-4		Cash & Cash Equiv.	\$ 2,825.25
B-4		Due from Other Gov'ts	15,933.89
B-4		Accounts Receivable	-
<b>CAFR</b>		<b>Current Liabilities</b>	
B-4		Less Accounts Payable	(59,995.57)
B-4		Less Due to Other Funds	<u>(732,511.65)</u>
		<b>Net Cash Resources</b>	<b><u>\$ (773,748.08)</u></b> (A)

**Net Adj. Total Operating Expense:**

B-5	Tot. Operating Exp.	755,139.69	
B-5	Less Depreciation	<u>(2,578.80)</u>	
	Adj. Tot. Oper. Exp.	<b><u>\$ 752,560.89</u></b>	(B)

**Average Monthly Operating Expense:**

B / 10		<b><u>\$ 75,256.09</u></b>	(C)
--------	--	----------------------------	-----

**Three times monthly Average:**

3 X C		<b><u>\$ 225,768.27</u></b>	(D)
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TOTAL IN BOX A	\$	<u>(773,748.08)</u>	
LESS TOTAL IN BOX D	\$	<u>225,768.27</u>	
NET	\$	<b><u>(999,516.35)</u></b>	

From above:

**A is greater than D, cash exceeds 3 X average monthly operating expenses.  
D is greater than A, cash does not exceed 3 X average monthly operating expenses.**

\* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form



**SCHEDULE OF AUDITED ENROLLMENTS**

**Mainland Regional High School  
Application for State School Aid Summary  
Enrollment as of October 14, 2016**

	Low-Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported On	Workpapers	Errors	Sample Selected	Verified Per	Errors Per	Reported On	Workpapers as	Errors	Sample Selected	Verified to	Sample
	ASSA	Low Income		From Wkprs	Applications	Applications	ASSA as	LEP Low Incomr	Low Income	From Wkprs	Test Score	Errors
	Full	Full	Full	Full	Full	Full	LEP Low Incomr	Low Income	Errors	From Wkprs	and Register	Errors
Half Day Preschool 4 Years Old												
Full Day Kindergarten												
One												
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine	46.0	46.0	-	22.0	22.0	(0)	1.0	1.0	-	1.0	1.0	-
Ten	63.0	63.0	-	30.0	30.0	0	-	-	-	-	-	-
Eleven	45.0	45.0	-	22.0	22.0	-	1.0	1.0	-	1.0	1.0	-
Twelve	72.0	72.0	-	35.0	35.0	(0)	2.0	2.0	-	2.0	2.0	-
Post Graduate												
Adult HS 1 - 14 CR												
Sub Total	226.0	226.0	-	109.0	109.0	(0.0)	4.0	4.0	0.0	4.0	4.0	-
Sp Ed - Elementary												
Sp Ed - Middle School												
Sp Ed - High School	94.0	94.0	-	45.0	45.0	0.0	3.0	3.0	-	3.0	3.0	-
Sent to CSSD												
Sub Total	94.0	94.0	-	45.0	45.0	0.0	3.0	3.0	0.0	3.0	3.0	-
Co. Voc. Regular												
Co. Voc. Post Secondary												
Totals	320.0	320.0	-	154.0	154.0	(0.0)	7.0	7.0	0.0	7.0	7.0	-
Percentage Error			0.00%			0.00%			0.00%			0.00%
Transportation												
Reported on												
DRTS												
by County												
DRTS	416	416	-	151	151	-						
by District												
Reg. - Public Schools, col. 1	12	12	-	4	4	-						
All Non Public, col. 2	33	33	-	12	12	-						
Trans Nonpublic, col. 3	21	21	-	7	7	-						
Reg Spec, col. 4	63	63	-	23	23	-						
Special Ed Spec, col. 6	545.0	545.0	-	197	197	-						
Totals												
Percentage Error			0.00%			0.00%						
Re-Reported												
Calculated												
Reg Avg. ( Mileage ) - Regular Including Grade PK Students							3.9	3.9		3.9	3.9	
Reg Avg. ( Mileage ) - Regular Excluding Grade PK Students							6.1	6.1		6.1	6.1	
Avg. Mileage - Special Education Students												

**SCHEDULE OF AUDITED ENROLLMENTS**

**MAINLAND REGIONAL HIGH SCHOOL**

**APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.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
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. (1-14 CR.)	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	1	1	-	1	1	-
Subtotal	1	1	-	1	1	-
Co. Voc. - Regular	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-
Totals	1	1	-	1	1	-
Percentage Error			0.00%			0.00%

**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

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

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 28,343,499.12	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	-	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	-	(B1b)
Transfer from General Fund to SRF for Pre-K Regular	-	(B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	-	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	(3,140,143.21)	(B2a)
Assets Acquired Under Capital Leases	-	(B2b)
Adjusted 16-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>25,203,355.91</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	<u>504,067.12</u>	(B4)
Enter greater of (B4) or \$250,000	504,067.12	(B5)
Increased by: Allowable Adjustment *	<u>46,140.00</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		<u>550,207.12</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	4,730,098.59	C
Decreased by:		
Year-end Encumbrances	(98,808.54)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	-	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	(2,132,469.53)	(C3)
Other Restricted Fund Balances ****	-	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	<u>(209,243.47)</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>2,289,577.05</u> (U1)



**SECTION 3**

Restricted Fund Balance - Excess Surplus \*\*\* [(U2)-(M)] IF NEGATIVE ENTER -0- 1,739,369.93 (E)

**Recapitulation of Excess Surplus as of June 30, 2017**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>2,132,469.53</u>	(C3)
Reserved Excess Surplus ***[(E)]	<u>1,739,369.93</u>	(E)
Total [(C3) + (E) + (F)]	<u>3,871,839.46</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), Extraordinary Aid, and Additional and Nonpublic School Transportation Aid; and recognized current year School Bus Advertising Revenue. (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	-	(H)
Sale & Lease-back	-	(I)
Extraordinary Aid	43,878.00	(J1)
Additional Nonpublic School Transportation Aid	2,262.00	(J2)
Current Year School Bus Advertising Revenue Recognized	<u>-</u>	(J3)
Total Adjustments [(H)+(I)+(J1)+(J2)]	<u>46,140.00</u>	(K)

\*\* This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amount must agree to the June 30, 2017 CAFR and the sum of the two lines 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 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>-</u>
Maintenance reserve	<u>-</u>
Emergency reserve	<u>-</u>
Tuition reserve	<u>-</u>
Other state/government mandated reserves	<u>-</u>
Other Restricted Fund Balance not noted above****	<u>-</u>
Total Other Reserved Fund Balance	<u>-</u>