

**MAINLAND REGIONAL
BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

CONTENTS

	Page
General Comments	
Independent Auditors' Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account and Position Control Roster	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary School Improvement Act of 1988 (E.S.E.A.) as Amended by the Improving America's Schools Act of 1994	3
Other Special Federal and/or State Projects	3
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4
School Food Services	4-5
Student Body Activities and Athletic Association	5
Application for State School Aid	6
Pupil Transportation	6
Follow-up on Prior Year Findings	6
Acknowledgment	6
Net Cash Resources Schedule	N/A
Schedule of Audited Enrollments	7-9
Excess Surplus Calculation	10-11
Audit Recommendations Summary	12

{THIS PAGE IS INTENTIONALLY LEFT BLANK}



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

www.ford-scott.com

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, 2019, and have issued our report thereon dated December 13, 2019.

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

December 13, 2019

{THIS PAGE IS INTENTIONALLY LEFT BLANK}

**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 Robinson	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 2016-2017 school year where an adjustment would have been required for the 2018-2019 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, other than the following:

Finding 2019-001:

Bank reconciliations were not timely prepared and contained a significant number of reconciling items.

Recommendation:

That the bank reconciliations be prepared timely and that all activity be recorded in the general ledger in lieu of being recorded as reconciling items on the bank reconciliation.

Elementary and Secondary School Improvement Act of 1988 (E.S.E.A.)/as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A 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 \$19,000.

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 exceptions exceptions were noted.

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

School Food Services (Continued)

We also 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 Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

Finding 2019-002:

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.

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 15, 2018 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 2018-2019 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.

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

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 2018-001:

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.

SCHEDULE OF AUDITED ENROLLMENTS

**Mainland Regional High School
Application for State-School Aid Summary
Enrollment as of October 15, 2018**

	2019-2020 Application for State School Aid				Sample for Verification				Private Schools for Disabled							
	Reported On		Workpapers		Errors		Sample Selected		Verified Per		Registers		Reported on ASASA Private Schools	Sample for Verification	Sample Verified Errors	
	On Roll	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 4 Years Old																
Full Day Preschool 4 Years Old																
Full Day Kindergarten																
One																
Two																
Three																
Four																
Five																
Six																
Seven																
Eight																
Nine	269.0		269.0					57.0	57.0							
Ten	243.0		243.0					50.0	50.0							
Eleven	234.0		234.0					48.0	48.0							
Twelve	261.0		261.0					54.0	54.0							
Adult HS 15 + CR																
Adult HS 1-14 CR																
Sub Total	1,007.0		1,007.0					209.0	209.0							
Sp Ed - Elementary																
Sp Ed - Middle School	219.0		219.0					45.0	45.0				4.0	4.0		4.0
Sp Ed - High School																
Sub Total	219.0		219.0					45.0	45.0				4.0	4.0		4.0
Co. Voc. Regular																
Co. Voc. Post Secondary																
Totals	1,226.0		1,226.0					254.0	254.0				4.0	4.0		4.0
Percentage Error													0.00%	0.00%		0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**Mainland Regional High School
Application for State School Aid Summary
Enrollment as of October 15, 2018**

	Low-Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported On		Errors	Verified Per		Errors Per	Reported On		Errors	Verified to		Sample
	ASSA	Workpapers		From Wkprs	Applications		From Wkprs	Applications		ASSA as	Workpapers as	
	Full	Low Income	Full	Low Income	Full	Low Income	Full	LEP Low Income	LEP Low Income	Full	LEP Low Income	Sample
Half Day Preschool 4 Years Old	45.0	45.0	-	23.0	23.0	-	23.0	3.0	3.0	-	2.0	2.0
Full Day Kindergarten	50.0	50.0	-	26.0	26.0	-	26.0	-	-	-	-	-
One	48.0	48.0	-	25.0	25.0	-	25.0	1.0	1.0	-	1.0	1.0
Two	52.0	52.0	-	27.0	27.0	-	27.0	1.0	1.0	-	1.0	1.0
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post Graduate												
Adult HS 1 - 14 CR												
Sub Total	195.0	195.0	-	101.0	101.0	-	101.0	5.0	5.0	0.0	4.0	4.0
Sp Ed - Elementary												
Sp Ed - Middle School	86.0	86.0	-	45.0	45.0	-	45.0	2.0	2.0	-	2.0	2.0
Sp Ed - High School												
Sent to CSSD												
Sub Total	86.0	86.0	-	45.0	45.0	-	45.0	2.0	2.0	0.0	2.0	2.0
Co. Voc. Regular												
Co. Voc. Post Secondary												
Totals	281.0	281.0	-	146.0	146.0	-	146.0	7.0	7.0	0.0	6.0	6.0
Percentage Error			0.00%							0.00%		0.00%
Transportation	Sample for Verification											
Reported on	DRTRS			DRTRS			DRTRS			DRTRS		
by County	441	441	-	158	158	-	158	4	4	-	4	4
by District	11	11	-	4	4	-	4	10	10	-	10	10
DRTRS	27	27	-	10	10	-	10	8	8	-	8	8
by District	21	21	-	17	17	-	17	17	17	-	17	17
DRTRS	46	46	-	197	197	-	197					
Totals	546.0	546.0	-	197	197	-	197					
Percentage Error			0.00%							0.00%		0.00%
Reg. - Public Schools, col. 1	Reg Avg. (Mileage) - Regular Including Grade PK Students 4.3											
All Non Public, col. 2	Reg Avg. (Mileage) - Regular Excluding Grade PK Students 4.3											
Trans Nonpublic, col. 3	Avg. Mileage - Special Education Students 6.4											
Reg Spec, col. 4												
Special Ed Spec, col. 6												
Totals												

SCHEDULE OF AUDITED ENROLLMENTS

**MAINLAND REGIONAL HIGH SCHOOL
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018**

	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	1	1	-	1	1	-
Ten	1	1	-	1	1	-
Eleven	1	1	-	1	1	-
Twelve	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-
Adult H.S. (1-14 CR.)	-	-	-	-	-	-
Subtotal	3	3	-	3	3	-
Special Ed - Elementary	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Co. Voc. - Regular	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-
Totals	3	3	-	3	3	-
Percentage Error			0.00%			0.00%

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 30,011,670.94	(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	(4,021,375.01)	(B2a)
Assets Acquired Under Capital Leases	<u>(383,200.00)</u>	(B2b)
Adjusted 18-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>25,607,095.93</u>	(B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	<u>512,141.92</u>	(B4)
Enter greater of (B4) or \$250,000	<u>512,141.92</u>	(B5)
Increased by: Allowable Adjustment *	<u>59,386.00</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	<u>571,527.92</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-19 (Per CAFR Budgetary Comparison Schedule C-1)	6,331,950.99	C
Decreased by:		
Year-end Encumbrances	(449,305.68)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	(2,842,283.81)	(C3)
Other Restricted Fund Balances ****	-	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	<u>(346.19)</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>3,040,015.31</u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U2)-(M)] IF NEGATIVE ENTER -0- 2,468,487.39 (E)

Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>2,842,283.81</u>	(C3)
Reserved Excess Surplus ***[(E)]	<u>2,468,487.39</u>	(E)
Total [(C3) + (E) + (F)]	<u><u>5,310,771.20</u></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	50,396.00	(J1)
Additional Nonpublic School Transportation Aid	8,990.00	(J2)
Current Year School Bus Advertising Revenue Recognized	<u>-</u>	(J3)
Total Adjustments [(H)+(I)+(J1)+(J2)]	<u>59,386.00</u>	(K)

** This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2019 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>

AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2019
MAINLAND REGIONAL HIGH SCHOOL DISTRICT

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

We recommend that bank reconciliations be prepared timely and all activity be recorded in the general ledger

3. School Purchasing Programs

None

4. School Food Service

We recommend that appropriate action be taken to eliminate the deficit in the Food Service Fund.

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

Corrective action has been taken on the prior year findings with the exception of the School Food Service finding noted above which has been repeated in the current year findings.