

OLDMANS TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION
Pedricktown, New Jersey

Auditor's Management Report on Administrative
Findings – Financial, Compliance and Performance
For the year ended June 30, 2011

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE

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Report of Independent Auditors

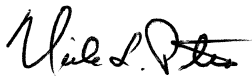
Honorable President and
Members of the Board of Education
Oldmans Township School District
10 Freed Road
Pedricktown, New Jersey 08067

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the general-purpose financial statements of the Board of Education of the Oldmans Township School District in the County of Salem for the year ended June 30, 2011, and have issued our report thereon dated September 16, 2011.

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 Oldmans Township Board of Education, the New Jersey Department of Education, others within the organization and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542

September 16, 2011

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 Monies, 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

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20; Insurance Schedule contained in the District's C.A.F.R.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Gary Moore	Board Secretary/Business Administrator	\$10,000
James R. Hackett	Treasurer of School Monies	\$160,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees.

Tuition charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

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.

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 including health benefits withholding due to general fund.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was filed by the March 15 due date.

Payroll Account (Continued)

Reporting of employee compensation for income tax related purposes did comply with federal (or state) regulations regarding the compensation which is required to be reported.

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 without exception.

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. 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 disclosed the following items.

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

Budgetary line accounts were not over-expended during the fiscal year or at June 30.

Treasurer's Records

The Treasurer's records were examined and were found to be in agreement with the records maintained by the Board Secretary.

The Treasurer deposited all funds of the District in a timely manner in accordance with N.J.S.A. 18A:17-34.

Monthly bank reconciliations were prepared by the Treasurer for the general operating account per (N.J.S.A. 18A-17-36).

Elementary and Secondary Education Act (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./N.C.L.B. financial exhibits are contained within the Special Revenue Section of the C.A.F.R. This section of the C.A.F.R. documents the financial position pertaining to the projects under Titles I 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 and/or questionable costs.

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 Single Audit Section of the District's C.A.F.R.

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 C.A.F.R. This section of the C.A.F.R. documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated an area of noncompliance and/or questionable costs.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement (electronic, but Districts can print out the D.O.E.N.E.T. screen for an auditor) 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. of Section 9 of P.L. 1971, c.198 (C40A:11-9), the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this 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 rate as that term is defined in N.J.S.A. 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 1st of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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."

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 is \$36,000 with a Qualified Purchasing Agent and \$17,200 for student transportation.

The District's 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, I did not note any 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, amended."

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 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 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. No exceptions noted.

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 Service employees as 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. Meals claimed agreed with meal count records. No exceptions noted.

School Food Service (Continued)

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. Sites approved to participate in provisions were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were reviewed for completed and available for review. No exceptions noted.

Food Distribution Program commodities were received and a single 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 of the District's C.A.F.R.

Student Body Activities

During our review of the student activity funds, the following items were noted:

The Board has a policy that clearly established the regulation of student activity funds.

Cash receipts were deposited in a timely manner. Cash disbursements contained proper supporting documentation. The cash journals were reconciled to the bank accounts on a monthly basis.

Application for State School Aid

The audit procedures included a test of information reported in the October 15, 2010, Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and bilingual. The information on the A.S.S.A. was compared to the District's workpapers without exception. The information that was included on the workpapers was verified without exception. The results of another auditor are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent and have adequate written procedures for the recording of student enrollment data.

Pupil Transportation

The audit procedures included a test of on roll status reported in the 2010-2011 District Report of Transported Resident Students (D.R.T.R.S.). The information that was included on the D.R.T.R.S. was verified to the D.R.T.R.S. Eligibility Summary Report with one exception. The results 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 did comply with proper bidding procedures and award of contracts.

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 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.

SCHEDULE OF AUDITED ENROLLMENTS
 OLDMANS TOWNSHIP SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2010

	A.S.S.A. (10/15/10 data)			Sample for Verification			Private School for Disabled		
	Reported on A.S.S.A. On Roll	Reported on Workpapers On Roll	Errors	Sample Selected from Workpapers	Verified per Registers on Roll	Errors per Registers on Roll	Reported on A.S.S.A. as Private School	Sample for Verification	Sample Verified
	Full	Full	Full	Full	Full	Full			
Full Day Kindergarten	17	17		17	17				
One	16	16		16	16				
Two	21	21		21	21				
Three	22	22		22	22				
Four	24	24		24	24				
Five	21	21		21	21				
Six	17	17		17	17				
Seven	25	25		25	25				
Eight	16	16		16	16				
	<u>179</u>	<u>179</u>		<u>179</u>	<u>179</u>				
Special Education - Elementary	5	5		5	5		1	1	1
Special Education - Middle	9	9		9	9				
	<u>14</u>	<u>14</u>		<u>14</u>	<u>14</u>		<u>1</u>	<u>1</u>	<u>1</u>
	<u>193</u>	<u>193</u>		<u>193</u>	<u>193</u>		<u>1</u>	<u>1</u>	<u>1</u>

SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)

OLDMANS TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2010

	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 Registers	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 Application and Registers	Sample Errors
Full Day Kindergarten	5	5		5	5							
One	5	5		4	4							
Two	4	4		4	4							
Three	10	10		8	8							
Four	8	8		8	8							
Five	1	1		1	1							
Six	4	4		2	2							
Seven	3	3		3	3							
Eight	1	1		1	1							
	<u>41</u>	<u>41</u>		<u>36</u>	<u>36</u>							
Special Education - Elementary	2	2		2	2							
Special Education - Middle	4	4		2	2							
	<u>6</u>	<u>6</u>		<u>4</u>	<u>4</u>							
	<u>47</u>	<u>47</u>		<u>40</u>	<u>40</u>		None					

SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)

OLDMANS TOWNSHIP SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2010

Transportation						
	Reported on DRTRS by DOE/ County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular Public Schools	146	146		109	109	
AIL Non-Public Schools	4	4		3	3	
Regular Special Education	7	7		6	6	
Special Education - Special Needs	24	24		17	16	1
	<u>181</u>	<u>181</u>		<u>135</u>	<u>134</u>	<u>1</u>
Percentage Error						0.74%
				<u>Reported</u>	<u>Recalculated</u>	
Avg. Mileage - Regular Including Grade PK students				5.8	5.8	
Avg. Mileage - Regular Excluding Grade PK students				5.8	5.8	
Avg. Mileage - Special Ed with Special Needs				10.7	10.1	

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2010-2011 Total General Fund Expenditures per the C.A.F.R., Ex. C-1	\$ <u>4,163,719</u> (B)
Increased by:	
Transfer to Food Service Fund	\$ <u>3,296</u> (B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1c)
Decreased by:	
On-Behalf T.P.A.F. Pension & Social Security	\$ <u>215,892</u> (B2a)
Assets Acquired Under Capital Leases	\$ <u>83,149</u> (B2b)
 Adjusted 2010-2011 General Fund Expenditures [(B)+(B1s)-(B2s)]	 \$ <u>3,867,974</u> (B3)
 2% of Adjusted 2009-2010 General Fund Expenditures [(B3) times .02]	 \$ <u>77,359</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u> (B5)
Increased by: Allowable Adjustment *	\$ <u>16,461</u> (K)
 Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	 \$ <u>266,461</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-2010 (Per C.A.F.R. Budgetary Comparison Schedule C-1)	\$ <u>1,010,756</u> (C)
Decreased by:	
Year-end Encumbrances	\$ <u>204,178</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>93,730</u> (C3)
Other Restricted Fund Balances****	\$ <u>300,000</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures**	\$ <u>78,217</u> (C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	 \$ <u>334,631</u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 68,170 (E)

Recapitulation of Excess Surplus as of June 30, 2011

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures** \$ 93,730 (C3)

Reserved Excess Surplus*** [(E)] \$ 68,170 (E)

Total [(C3)+(E)] \$ 161,900 (D)

* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, and Additional Nonpublic School Transportation Aid, and Unbudgeted T.P.A.F. 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	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ 14,498	(J1)
Additional Nonpublic School Transportation Aid	\$ 1,963	(J2)
Unbudgeted T.P.A.F. Wage Freeze Grant Funding	\$ _____	(J3)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ <u>16,461</u>	(K)

** This amount represents the June 30, 2010, Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amounts must agree to the June 30, 2011, C.A.F.R. 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	\$ _____
Capital outlay for a district with a capital outlay cap waiver	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ _____
Maintenance reserve	\$ 300,000
Emergency reserve	\$ _____
Waiver offset revenue	\$ _____
Tuition reserve	\$ _____
Other state/government mandated reserve	\$ _____

[Other Restricted Fund Balance not noted above]**** \$ _____

Total Other Restricted Fund Balance \$ 300,000 (C4)