

**BOARD OF EDUCATION OF THE
BOROUGH OF PALMYRA SCHOOL DISTRICT
COUNTY OF BURLINGTON**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2013**

BOROUGH OF PALMYRA SCHOOL DISTRICT
Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

Table of Contents

	<u>Page</u>
Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance	1
Scope of Audit	2
Administrative Practices and Procedures	2
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting, and Reporting	2
Examination of Claims	2
Payroll Account	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
• General Classifications	3
• Administrative Classifications	3
Board Secretary's Records	3
Treasurer's Records	3
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 (N.C.L.B.) of 2001	3
Other Special Federal and / or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	4
Contracts and Agreements Requiring Advertisement for Bids	4
School Food Service	4
Student Body Activities	5
Application for State School Aid	5
Pupil Transportation	5
Miscellaneous	N/A
Follow-up on Prior Year Findings	5
Acknowledgment	6
Schedule of Meal Count Activity	7
Schedule of Audited Enrollments	8
Excess Surplus Calculation	10

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

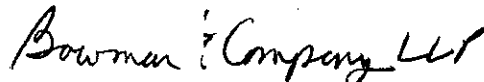
The Honorable President and
Members of the Board of Education
Palmyra School District
County of Burlington, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Palmyra School District, in the County of Burlington, State of New Jersey as of and for the fiscal year ended June 30, 2013, which were separately issued in the Comprehensive Annual Financial Report dated December 4, 2013.

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

This report is issued in conjunction with the Comprehensive Annual Financial Report of the Board of Education of the Borough of Palmyra School District, for the fiscal year ended June 30, 2013, and is intended for the information of the School District's management and the New Jersey Department of Education and should not be used by anyone other than these specified parties.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Certified Public Accountant
Public School Accountant No. CS 01113

Voorhees, New Jersey
December 4, 2013

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 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

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the School District's CAFR.

Official Bonds (N.J.S.A. 18A: 17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
William R. Blatchley	Board Secretary / School Business Administrator	\$ 175,000.00
Robert Donnahoo	Treasurer (or where no Treasurer of School Moneys, the Board Secretary)	250,000.00

There is a Comprehensive Crime policy covering all other employees with multiple coverage of \$50,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The School District made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING

Examination of Claims

An examination of claims paid during the fiscal year under audit 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 the 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 Superintendent.

Salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the General Fund.

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

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)**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: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 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. No exceptions were noted.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary indicated that they were in satisfactory condition with the exception of the following:

Finding No. 2013-1

The following errors were noted in our tests of internal controls and compliance requirements for the payment of claims:

- Title I charges did not properly align with the program budget.
- Budget transfers are not detailed out in the minutes.
- Occupational therapy and physical therapy services were charged to child study team instead of the occupational and physical therapy line item.
- A refrigerator was mischarged to requirement maintenance instead of food service.
- A state contract was not awarded in the minutes.
- Two expenditures were incorrectly charged to travel and an additional travel expenditure was not pre-approved in the minutes.
- Athletic event staff were charged to other professional services instead of salaries but in the correct function.
- One employee was under-deducted for their insurance benefits and another was overpaid for their insurance waiver.

Recommendation

The District should ensure that all internal controls over expenditures are reviewed and adhered to.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer indicated that they were in satisfactory condition and in agreement with the Board Secretary.

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 (N.C.L.B.) 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 II of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance and / or questioned costs.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)**Other Special Federal and / or State Projects**

The School 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 within 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 reimbursements (electronic, but districts can print out the DOENET screen for an auditor) filed with the Department of Education for School 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-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and the school contracts in general are available on the website <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

The School District has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year.

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, 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 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. No exceptions were noted.

The School 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.

Expenditures should be separately recorded as food, labor, and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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 non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

SCHOOL FOOD SERVICE (CONT'D)

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School food service employees 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.

Applications for free and reduced price meals were reviewed for completeness and accuracy. 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 I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and / or 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 CAFR.

STUDENT BODY ACTIVITIES

No exceptions were noted during our review of the student activity funds.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 15, 2012 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income, and bilingual. We also performed a review of the School District procedures related to its completion. The information on the A.S.S.A. was compared to the School 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.

The School District maintained workpapers on the prescribed State forms or their equivalent.

The School 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 2012-2013 District Report of Transported Resident Students (DRTRS). The information that was reported 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 related contracts and purchases. Based on our review, the School 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 YEAR'S FINDINGS

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

ACKNOWLEDGMENT

We received the complete cooperation of all of the officials of the School District and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

A handwritten signature in black ink, appearing to read "Robert S. Marrone".

Robert S. Marrone
Public School Accountant No. CS 01113

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Schedule of Meal Count Activity
 Food Service Fund
 Number of Meals Served and (Over) / Underclaim - Federal
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2013

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Estimated (Over) / Under Claim</u>
National School Lunch (Regular Rate)	Paid	32,430	3,532	3,532	-	\$ 0.27	\$ -
	Reduced	7,989	916	916	-	2.46	-
	Free	43,418	4,869	4,869	-	2.86	-
	HHFKA*	<u>41,005</u>	<u>2,939</u>	<u>2,939</u>	<u>-</u>	0.06	<u>-</u>
	Total	<u>124,842</u>	<u>12,256</u>	<u>12,256</u>	<u>-</u>		<u>-</u>
School Breakfast (Regular Rate)	Paid	3,928	457	457	-	0.27	-
	Reduced	1,464	170	170	-	1.55	-
	Free	<u>13,918</u>	<u>1,628</u>	<u>1,628</u>	<u>-</u>	1.55	<u>-</u>
	Total	<u>19,310</u>	<u>2,255</u>	<u>2,255</u>	<u>-</u>		<u>-</u>
Total Net Underclaim / (Overclaim)							<u>\$ -</u>

* For "Federal PB Lunch" Healthy Hunger-Free Kids Act of 2010

BOROUGH OF PALMYRA SCHOOL DISTRICT

Application for State School Aid Summary

Enrollment as of October 15, 2012

	2013-2014 Application for State School Aid						Sample for Verification				Private Schools for the Disabled			
	Reported on			Errors			Sample		Registers		Errors per	Reported	Sample	Sample
	Full	Shared	On Roll	Full	Shared	On Roll	Full	Shared	Full	Shared				
Half Day Preschool	19		19				19		19					
Full Day Preschool														
Half Day Kindergarten	78		78				78		78					
Full Day Kindergarten	76		76				76		76					
One	73		73				73		73					
Two	60		60				60		60					
Three	54		54				54		54					
Four	49		49				49		49					
Five	46		46				46		46					
Six	47		47				47		47					
Seven	59		59				59		59					
Eight	86		86				86		86					
Nine	52		52				52		52					
Ten	53		53				53		53					
Eleven	59		59				59		59					
Twelve														
Post-Graduate														
Adult H.S. (15+CR.)														
Adult H.S. (1-14CR.)														
Subtotal	811	-	811	-	-	-	811	-	811	-	-	-	-	-
Special Education-Elementary	50		50				50		50			2	2	2
Special Education-Middle School	41		41				41		41			3	3	3
Special Education-High School	56		56				56		56			4	4	4
Subtotal	147	-	147	-	-	-	147	-	147	-	-	9	9	9
Co. Voc. - Regular														
Co. Voc. Ft. Post Sec.														
Totals	958	-	958	-	-	-	958	-	958	-	-	9	9	9
Percentage Error														

BOROUGH OF PALMYRA SCHOOL DISTRICT

Application for State School Aid Summary
Enrollment as of October 15, 2012

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification			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 Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors
Half Day Preschool	6	6		6	6										
Full Day Preschool															
Half Day Kindergarten	34	34		34	34										
Full Day Kindergarten	25	25		25	25										
One	34	34		34	34										
Two	24	24		24	24										
Three	20	20		20	20										
Four	27	27		27	27										
Five	14	14		14	14										
Six	17	17		17	17										
Seven	26	26		26	26										
Eight	26	26		26	26										
Nine	19	19		19	19										
Ten	16	16		16	16										
Eleven	19	19		19	19										
Twelve															
Post-Graduate															
Adult H.S. (15+CR.)															
Adult H.S. (1-14CR.)															
Subtotal	307	307	-	307	307	-									
Special Education-Elementary	29	29		29	29										
Special Education-Middle School	23	23		23	23										
Special Education-High School	31	31		31	31										
Subtotal	83	83	-	83	83	-									
Co. Voc. - Regular															
Co. Voc. Ft. Post Sec.															
Totals	390	390	-	390	390	-									
Percentage Error															
Transportation															
	Reported on DRTS by DOE/County	Reported on DRTS by District	Errors	Tested	Verified	Errors									
Reg. - Public Schools, Col. 1	19	19		18	18										
Reg. - SpEd, Col. 4															
Transported - Non-Public, Col. 3	26	26		23	23										
Special Needs, Col. 6	45	45	-	41	41	-									
Totals															
Percentage Error															

Reg. Avg. (Mileage) = Regular Including Grade PK students (Part A)
Reg. Avg. (Mileage) = Regular Excluding Grade PK students (Part B)
Spec. Avg. (Mileage) = Special Ed. with Special NeedsRe-
Calculated14.7
n/a
13.6

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT / CHARTER SCHOOL

SECTION 1

A. 2% Calculation of Excess Surplus

2012-13 Total General Fund Expenditures per the CAFR, Ex. C-1	15,069,497.68 (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 PreK-Regular	(B1c)
Transfer from General Fund to SRF for Prek-Inclusion	(B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	1,318,327.04 (B2a)
Assets Acquired Under Capital Leases	(B2b)
Adjusted 2012-13 General Fund Expenditures [(B)+(B1s)-(B2s)]	13,751,170.64 (B3)
2% of Adjusted 2012-13 General Fund Expenditures [(B3) times .02]	275,023.41 (B4)
Enter Greater of (B4) or \$250,000	275,023.41 (B5)
Increased by: Allowable Adjustment *	54,419.00 (K)
Maximum Unassigned Fund Balance [(B5) + (K)]	329,442.41 (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-13 (Per CAFR Budgetary Comparison Schedule C-1)	2,248,097.11 (C)
Decreased by:	
Year-end Encumbrances	26,377.78 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	267,712.00 (C3)
Other Restricted Fund Balances ****	1,131,784.79 (C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	42,497.00 (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	779,725.54 (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	450,283.13 (E)
---	----------------

Recapitulation of Excess Surplus as of June 30, 2013

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	267,712.00 (C3)
Restricted - Excess Surplus *** [(E)]	450,283.13 (E)
Total Excess Surplus [(C3)+(E)]	717,995.13 (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 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	_____ 54,419.00 (J1)
Additional Nonpublic School Transportation Aid	_____ (J2)
Current Year School Bus Advertising Revenue Recognized	_____ (J3)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	 _____ 54,419.00 (K)

- ** This amount represents the June 30, 2012 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

- *** Amount must agree to the June 30, 2013 CAFR and must agree to the Audit Summary Worksheet Line 90030.

- **** Amount for Other Restricted 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 Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	_____
Sale/lease-back reserve	_____
Capital reserve	_____ 650,549.50
Maintenance reserve	_____ 481,235.29
Emergency reserve	_____
Tuition reserve	_____
Other state/government mandated reserves	_____

[Other Restricted Fund Balance not noted above]****

Total Other Restricted Fund Balance	_____ 1,131,784.79 (C4)
-------------------------------------	-------------------------