

**KENILWORTH BOARD OF EDUCATION**

**AUDITOR'S MANAGEMENT REPORT**

**COUNTY OF UNION**

**JUNE 30, 2015**

**ROBERT A. HULSART & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS  
2807 HURLEY POND ROAD, SUITE 100  
WALL, NEW JERSEY 07719**

## AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

### FINANCIAL, COMPLIANCE AND PERFORMANCE

	<u>Page</u>
Report of Independent Auditors	1.
Administrative Findings - Financial, Compliance and Performance Reporting	
Scope of Audit	2.
Administrative Practices and Procedures	
Insurance	2.
Officials Bonds	2.
Tuition Charges	2.
Financial Planning, Accounting and Reporting	
Examination of Claims	2.
Payroll Account	2.
Reserve for Encumbrances and Accounts Payable	3.
Classification of Expenditures	3.
Board Secretary's Records	3.
Treasurer's Records	3.
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)	3.
Other Special Federal and/or State Projects	3.
T.P.A.F. Reimbursement	4.
TPAF Reimbursement to the State for Federal Salary Expenditures	4.
School Purchasing Program	
Contracts and Agreements Requiring Advertisement for Bids	4 & 5.
School Food Service Fund	5.
GAAP Accounting Implementation	5.
Application for State School Aid	6.
Pupil Transportation	6.
Student Body Activities/Athletic Account	6.
Follow Up on Prior Years Findings	6.
Acknowledgment	6.
2% Calculation of Excess Surplus	7.
Application for State School Aid Summary	8 to 10.
Schedule of Meal Count Activity	11.
Net Cash Resource Schedule	12.

# Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.  
ROBERT A. HULSART, JR., C.P.A., P.S.A.  
RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:  
(732) 280-8888  
e-mail:  
rah@monmouth.com

2807 Hurley Pond Road • Suite 100  
P.O. Box 1409  
Wall, New Jersey 07719-1409  
(732) 681-4990

## REPORT OF INDEPENDENT AUDITORS

Honorable President and Members  
of the Board of Education  
Kenilworth School District  
County of Union, New Jersey

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 Kenilworth School District in the County of Union for the year ended June 30, 2015, and have issued our report thereon dated December 3, 2015.

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 Kenilworth Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

---

Licensed Public School Accountant  
No. 322  
**ROBERT A. HULSART AND COMPANY**

December 3, 2015

## **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 Monies, the activities of the Board of Education, 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 CAFR.

#### **Officials Bond**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Amount</u></b>
Vincent A. Gonnella	Board Secretary/School Business Administrator	\$ 80,000.00
Jeanne K. Decker	Treasurer	250,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond under the blanket policy covering all other employees with multiple coverage of \$250,000.00.

#### **Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the increase/decrease in per pupil costs in accordance with *N.J.A.C. 6A:23-3.1(f)3*.

### **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, certifications, 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/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

### **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, a transaction error rate of 0% overall 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 no reportable conditions. The records were in good order.

### **Treasurer's Records**

The Treasurer's records were in agreement with the records of the Board Secretary. All reconciliations were properly done.

### **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. No Child Left Behind financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title IIA and Title III of the E.S.E.A.

The study of compliance for E.S.E.A. indicated the following 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 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.

The study of compliance for the special projects indicated no areas of noncompliance.

### **T.P.A.F. Reimbursement**

Our audit procedures included a test of the biweekly reimbursement forms filed with 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(s) 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 fund was made prior to the end of the 60 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**

Effective July 1, 2010 N.J.S. 18A:18A-3 was amended to read as follows:

- 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 \$26,000.00 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. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$36,000.00. 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. Effective July 1, 2010, the quotation threshold was increased to \$3,900 and \$5,400, respectively.

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S. 18A:18A-4 is amended to read as follows:

- a. 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, 2014 and thereafter the bid threshold in accordance with N.J.S.A. Transportation 18A:39-3 is currently \$18,300.00.

## **School Purchasing Programs (Continued)**

### **Contracts and Agreements Requiring Advertisement for Bids**

The board of education has the responsibility of determining whether the expenditures in 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.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

### **School Food Service Fund**

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completed and available for review.

The cash disbursement records reflected expenditures for program related goods and services. The District deposited and expended program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. 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.

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

The 2014-15 operations produced a net loss of \$(14,846).

### **GAAP Accounting Implementation**

The school district's double entry system of accounting records were maintained in accordance with the Department of Education's prescribed GAAP Technical Systems Manual, pursuant to N.J.S.A. 18:A4-14 and N.J.A.C. 6:20-2A.

### **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, 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 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 district maintained workpapers on the prescribed state forms or their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data.

### **Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2014-15 District Report of Transported Resident Students (DRTRS). The information that was included 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 district complied with proper bidding procedures and award of contracts. No exception were noted in our review of transportation related purchases of goods and services.

### **Student Body Activities/Athletic Account**

#### **Student Activities**

During our review of the student activity funds, no exceptions were noted.

### **Follow-Up on Prior Year Findings**

The prior year finding regarding the Application for State School Aid has been corrected.

### **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.



**2% Calculation of Excess Surplus**

2014-15 Total General Fund Expenditures Per the CAFR	\$ 24,114,134
Decreased by:	
On Behalf TPAF Pension and Social Security	<u>(2,152,208)</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 21,961,926</u>
2% of Adjusted 2014-15 General Fund Expenditures	\$ 439,239
Increased by Allowable Adjustments	<u>120,996</u>
Maximum Unassigned Fund Balance	<u>\$ 560,235</u>

**Section 2**

Total General Fund – Fund Balance @ 6-30-15	\$ 2,569,598
Decreased by:	
Reserved for Encumbrances	(884,262)
Other Reserves	(775,101)
Designated for Subsequent Years Expenditures	(250,000)
Designated for Subsequent Years Expenditures – Maintenance Reserve	<u>(100,000)</u>
Total Unassigned Fund Balance	<u>\$ 560,235</u>

**Section 3****Detail of Allowable Adjustments**

Extraordinary Aid	<u>\$ 120,996</u>
-------------------	-------------------

**Detail of Other Reserved Fund Balance**

Capital Reserve	\$ 125,101
Maintenance Reserve	400,000
Emergency Reserve	<u>250,000</u>
	<u>\$ 775,101</u>

**KENILWORTH SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

**ENROLLMENT AS OF OCTOBER 15, 2014**

	2015-16 Application for State School Aid						Sample for Verification						Private Schools for Handicapped			
	Reported On		Reported on		Errors		Sample Selected		Verified Per		Errors Per Registers		Reported On	Sample for	Sample	Sample
	A.S.S.A. on Roll		Workpapers on Roll				from Workpapers		Registers on Roll		on Roll		A.S.S.A. as	Verification	Verified	Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools			
Half Day Preschool - 4yrs	20		20				20		20							
Full Day Kindergarten	72		72				72		72							
One	90		90				90		90							
Two	83		83				83		83							
Three	90		90				90		90							
Four	80		80				80		80							
Five	105		105				105		105							
Six	92		92				92		92							
Seven	74		74				74		74							
Eight	77		77				77		77							
Nine	69		69				69		69							
Ten	86	6	86	6			86	6	86	6						
Eleven	61	16	61	16			61	16	61	16						
Twelve	66	20	66	20			66	20	66	20						
Subtotal	1065	42	1065	42	0	0	1065	42	1065	42	0	0	0	0	0	0
Special Ed. - Elementary	70		70				70		70				3	3	3	
Special Ed. - Middle School	65		65				65		65				1	1	1	
Special Ed. - High School	52	13	52	13			52	13	52	13			10.5	10.5	10.5	
Subtotal	187	13	187	13	0	0	187	13	187	13	0	0	14.5	14.5	14.5	0
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	1252	55	1252	55	0	0	1252	55	1252	55	0	0	14.5	14.5	14.5	0
Percentage Error					0%	1%					0%	0%				7%

KENILWORTH SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	<u>Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>	<u>Reported on A.S.S.A. as LEP</u>	<u>Reported on Workpapers as LEP</u>	<u>Errors</u>	<u>Sample Selected From Workpapers</u>	<u>Verified to Test Score &amp; Register</u>	<u>Sample Errors</u>
	Half Day Preschool 4yrs											
Full Day Kindergarten	13	13		9	9		4	4		4	4	
One	20	20		14	14		4	4		4	4	
Two	20	20		12	12		3	3		3	3	
Three	19	19		13	13		2	2		2	2	
Four	20	20		15	15							
Five	40	40		23	23							
Six	17	17		9	9		1	1		1	1	
Seven	13	13		7	7							
Eight	11	11		4	4							
Nine	20	20		11	11							
Ten	18.5	18.5		9	9							
Eleven	12.5	12.5		6	6		1	1		1	1	
Twelve	11	11		4	4		4	4		4	4	
Subtotal	<u>235</u>	<u>235</u>	<u>0</u>	<u>136</u>	<u>136</u>	<u>0</u>	<u>19</u>	<u>19</u>	<u>0</u>	<u>19</u>	<u>19</u>	<u>0</u>
Special Ed. - Elementary	19	19		14	14		1	1		1	1	
Special Ed. - Middle School	18	18		10	10							
Special Ed. - High School	10	10		5	5							
Subtotal	<u>47</u>	<u>47</u>	<u>0</u>	<u>29</u>	<u>29</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>282</u>	<u>282</u>	<u>0</u>	<u>165</u>	<u>165</u>	<u>0</u>	<u>20</u>	<u>20</u>	<u>0</u>	<u>20</u>	<u>20</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>			<u>0%</u>			<u>0%</u>

TRANSPORTATION

	<u>Reported on DRTRS by DOE</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>		<u>Reported</u>	<u>Recalculated</u>
	Reg. - Public Schools	18.5	18.5		18.5	18.5			Avg. Mileage - Regular Including Grade PK Students
Transported - Non-Public							Avg. Mileage - Regular Excluding Grade PK Students	10.03	10.03
Special Ed. - Regular	2.5	2.5		2.5	2.5		Avg. Mileage - Special Ed. With Special Needs	12.2	12.2
Special Needs - Private	<u>27.5</u>	<u>27.5</u>		<u>27.5</u>	<u>27.5</u>				
Totals	<u>48.5</u>	<u>48.5</u>	<u>0</u>	<u>48.5</u>	<u>48.5</u>	<u>0</u>			
Percentage Error						<u>0%</u>			

KENILWORTH SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	<u>Resident LEP - Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as LEP</u>	<u>Reported on Workpapers as LEP</u>	<u>Errors</u>	<u>Sample Selected From Workpapers</u>	<u>Verified to Test Score &amp; Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Kindergarten	4	4		4	4	
One	5	5		5	5	
Two	2	2		2	2	
Three	4	4		4	4	
Four	4	4		4	4	
Five	2	2		2	2	
Six						
Seven	1	1		1	1	
Eight						
Nine						
Ten	1	1		1	1	
Eleven	1	1		1	1	
Twelve						
Subtotal	<u>24</u>	<u>24</u>	<u>0</u>	<u>24</u>	<u>24</u>	<u>0</u>
Special Ed. - Elementary	3	3		3	3	
Special Ed. - Middle School						
Special Ed. - High School						
Subtotal	<u>3</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>
Totals	<u>27</u>	<u>27</u>	<u>0</u>	<u>27</u>	<u>27</u>	<u>0</u>
			<u>0%</u>			<u>0%</u>

SCHEDULE OF MEAL COUNT ACTIVITY

KENILWORTH SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	47,696	47,696	-	\$ 0.320 *	-
	Reduced	9,130	9,130	-	2.635	-
	Free	<u>26,803</u>	<u>26,803</u>	<u>-</u>	3.035	<u>-</u>
Total Net Overclaim		<u>83,629</u>	<u>83,629</u>	<u>-</u>		<u>-</u>
School Breakfast Program (Regular Rate)	Paid	21	21		\$ 0.280	
	Reduced	11	11		1.320	
	Free	<u>89</u>	<u>89</u>	<u>-</u>	1.620	<u>-</u>
Total Net Overclaim		<u>121</u>	<u>121</u>	<u>-</u>		<u>-</u>
School Breakfast Program (Severe Needs Rate)	Paid	714	714		\$ 0.280	
	Reduced	436	436		1.630	
	Free	<u>2,530</u>	<u>2,530</u>	<u>-</u>	1.930	<u>-</u>
Total Net Overclaim		<u>3,680</u>	<u>3,680</u>	<u>-</u>		<u>-</u>

\* - \$.06 for Federal PB Lunch - Healthy Hunger-Free Kids Act

**KENILWORTH SCHOOL DISTRICT****NET CASH RESOURCE SCHEDULE****NET CASH RESOURCES DID NOT EXCEED 3 MONTHS OF EXPENDITURES****PROPRIETARY FUNDS - FOOD SERVICE****FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b><u>Net Cash Resources:</u></b>		<b>Food Service G - 1/2</b>
<b>CAFR</b>	<b>Current Assets</b>	
G-1	Cash & Cash Equivalents	\$ 76,035
G-1	Accounts Receivables	7,347
	<b>Current Liabilities</b>	
G-1	Less Accounts Payable	-
	<b>Net Cash Resources</b>	<b>\$ 83,382 ( A )</b>
<b><u>Net Adjustment Total Operating Expense:</u></b>		
G-2	Total Operating Expenses	408,858
G-2	Less Depreciation	(3,980)
	<b>Adjusted Total Operating Expenses</b>	<b>404,878 ( B )</b>
<b><u>Average Monthly Operating Expense:</u></b>		
	B / 10	<b>\$ 40,488 ( C )</b>
<b><u>Three Times Monthly Average</u></b>		
	3 X C	<b>\$ 121,463</b>
Total in ( A )		\$ 83,382
Less Total in ( D )		(121,463)
Net		<b>\$ (38,081)</b>