

**RUMSON BOARD OF EDUCATION**  
**AUDITOR'S MANAGEMENT REPORT**  
**COUNTY OF MONMOUTH**  
**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

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# Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)

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## REPORT OF INDEPENDENT AUDITORS

Honorable President and Members  
of the Board of Education  
Rumson School District  
County of Monmouth, 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 Rumson School District in the County of Monmouth, for the year ended June 30, 2015, and have issued our report thereon dated December 18, 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 Rumson 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 18, 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>
Denise Friedmann	Board Secretary/School Business Administrator	\$ 50,000
	Treasurer	100,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$100,000.

**Findings 2015-01:** The Business Administrator effectively serves as the Treasurer for the District, and as such, the Business Administrator should be bonded at the State Statutory level required for the Treasurer.

**Recommendation 2015-01:** That the Business Administrator obtain bond coverage at the State Statutory level.

#### **Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the proper adjustment 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, certification or supporting documentation.

### **Payroll Account/Payroll Agency**

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.

### **Board Secretary's Records**

The books and records were found to be in good order.

### **Treasurer's Records**

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

### **Elementary and Secondary Education Act (E.S.E.A.)/(I.A.S.A) 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, Title IID, Title III, Title IV and Title V of the E.S.E.A.

### **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, with no exceptions noted.

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.

### 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.

### 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 \$4,350, 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, 2013 and thereafter the bid threshold in accordance with N.J.S.A. Transportation 18A:39-3 was increased to \$18,300.00.

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 except for as follows:

### **School Food Service Fund**

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk 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.

Expenditures were separately recorded as food, labor and other costs. Aramark's inventory records on food supply items were maintained and applied in determining the cost of food and supplies used. Inventories of commodities were reviewed for reasonableness as submitted, without verification.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

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

### **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% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **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, and low-income. 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 equivalents.

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 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 with no errors. 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.

### **District Travel Policy**

The District maintained a log for all employees who were not under an existing contract in relation to travel expenditures; the log was examined and was in compliance with the administrative code.

### **Follow-up on Prior Years' Findings**

There were no 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 staff.



**2% Calculation of Excess Surplus**

2014-15 Total General Fund Expenditures Per the CAFR	\$ 15,795,154
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,392,973)</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 14,402,181</u>
2% of Adjusted 2014-15 General Fund Expenditures	\$ 288,044
Increased by Allowable Adjustments	<u>172,636</u>
Maximum Unassigned Fund Balance	<u>\$ 460,680</u>

**Section 2**

Total General Fund – Fund Balance @ 6-30-15	\$ 2,178,689
Decreased by:	
Year-End Encumbrances	(67,885)
Legally Restricted:	
Designated for Subsequent Years Expenditures – Maintenance Reserve	(33,000)
Other Restricted Reserved Fund Balances	(1,208,865)
Assigned:	
Designated for Subsequent Year’s Expenditures	<u>(204,245)</u>
Total Unassigned Fund Balance	<u>\$ 664,694</u>
Restricted Fund Balance – Excess Surplus	<u>\$ 204,014</u>

**Section 3**

Reserved Fund Balance – Excess Surplus Designated for Subsequent Years Expenditures	\$ 196,629
Excess Surplus	<u>204,014</u>
	<u>\$ 400,643</u>

**Detail of Allowable Adjustments**

Extraordinary Aid	\$ 169,015
Non-Public Transportation	<u>3,621</u>
	<u>\$ 172,636</u>

**Detail of Other Reserved Fund Balance**

Emergency Reserve	\$ 200,000
Maintenance Reserve	232,000
Capital Reserve	<u>776,865</u>
	<u>\$ 1,208,865</u>

**RUMSON SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

Sheet 1 of 3

**ENROLLMENT AS OF OCTOBER 15, 2014**

	<b>2015-2016 Application for State School Aid (10-15-14 Data)</b>						<b>Sample for Verification</b>						<b>Private Schools for Disabled</b>			
	<b>Reported On</b>		<b>Reported on</b>		<b>Errors</b>		<b>Sample Selected</b>		<b>Verified Per</b>		<b>Errors Per Registers</b>		<b>Reported On</b>	<b>Sample for</b>	<b>Sample</b>	<b>Sample</b>
	<b>A.S.S.A. on Roll</b>		<b>Workpapers on Roll</b>				<b>from Workpapers</b>		<b>Registers on Roll</b>		<b>on Roll</b>		<b>A.S.S.A. as</b>	<b>Verification</b>	<b>Verified</b>	<b>Errors</b>
	<b>Full</b>	<b>Shared</b>	<b>Full</b>	<b>Shared</b>	<b>Full</b>	<b>Shared</b>	<b>Full</b>	<b>Shared</b>	<b>Full</b>	<b>Shared</b>	<b>Full</b>	<b>Shared</b>	<b>Private Schools</b>			
Half Day Preschool 3 Yrs.	1		1					1		1						
Full Day Preschool 3 Yrs.																
Half Day Preschool 4 Yrs.	7		7					7		7						
Full Day Preschool 4 Yrs.																
Full Day Kindergarten	80		80					80		80						
One	84		84					84		84						
Two	101		101					101		101						
Three	92		92					92		92						
Four	98		98					98		98						
Five	113		113					113		113						
Six	101		101					101		101						
Seven	90		90					90		90						
Eight	101		101					101		101						
Nine																
Ten																
Eleven																
Twelve																
Subtotal	<u>868</u>	<u>0</u>	<u>868</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>868</u>	<u>0</u>	<u>868</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary	56		56					56		56			3	3	3	
Special Ed. - Middle School	52		52					52		52			4	4	4	
Special Ed. - High School																
Subtotal	<u>108</u>	<u>0</u>	<u>108</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>108</u>	<u>0</u>	<u>108</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>976</u>	<u>0</u>	<u>976</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>976</u>	<u>0</u>	<u>976</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>0</u>
Percentage Error					<u>0%</u>	<u>0%</u>										<u>0%</u>

RUMSON 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 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 ASSA as LEP Low Income</u>	<u>Reported on Workpapers as LEP Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Preschool												
Half Day Kindergarten	N/A						N/A					
One												
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary												
Special Ed. - Middle School												
Special Ed. - High School												
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>			<u>0%</u>			<u>0%</u>

	<u>Transportation</u>							<u>Reported</u>	<u>Recalculated</u>
	<u>Reported on DRTRS by DOE/County</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>			
Reg. - Public Schools, col. 1	170	170		147	147		Reg. Avg. (Mileage) = Regular Including Grade PK Students (Part A)	3.19	3.19
Reg. Special Education, col. 4	-	-		-	-		Ref. Avg. (Mileage) - Regular Excluding Grade PK Students (Part B)	3.19	3.19
Transported - Non-Public, col. 3	57	57		48	48		Spec. Avg. = Special Ed. With Special Needs	5.20	5.20
Special Education Spec., col. 6	14	14		14	14				
Totals	<u>241</u>	<u>241</u>	<u>0</u>	<u>209</u>	<u>209</u>	<u>0</u>			
Percentage Error			<u>0%</u>			<u>0%</u>			

RUMSON SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 3 of 3

ENROLLMENT AS OF OCTOBER 15, 2014

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA as LEP Not Low Income</u>	<u>Reported on Workpapers as LEP Not Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Half Day Kindergarten						
One	N/A					
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary						
Special Ed. - Middle School						
Special Ed. - High School						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>