

SPRING LAKE HEIGHTS BOARD OF EDUCATION

**Spring Lake Heights, New Jersey
County of Monmouth**

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
for The Year Ended June 30, 2015**

**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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

Honorable President and Members
of the Board of Education
Spring Lake Heights Board of Education
Spring Lake Heights Borough, 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 basic financial statements of the Board of Education of the Spring Lake Heights 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 Spring Lake Heights School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Robert W. Allison
Certified Public Accountant
Public School Accountant, No. 897

December 18, 2015
Freehold, New Jersey

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**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 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>
Matthew Varley	Board Secretary/School Business Administrator	\$ 175,000.00

Tuition Charges

The District does not maintain a high school (grades 9-12). The high school students of the District are sent on a per student tuition basis to high schools of other municipalities. Our examination, on a test basis, revealed for all tuition disbursements, that a contract was on file and tuition rates agreed upon were charged.

It should be noted that the statutes allow for a calculation to be made two years after the fiscal year ends which may result in either a refund from the sending district or additional amounts due to the sending district. All adjustments are handled on a current basis as to credit or disbursement with regards to budget charges.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under the review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Financial Planning, Accounting and Reporting (continued):

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, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

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

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 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 disclosed no exceptions.

Treasurer's Records

The Treasurer's records were reviewed and were in agreement with the records of 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 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 Title 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.

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 tests of compliance for the major state programs selected did not indicate any areas of noncompliance.

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 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-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

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 receipts 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:119) 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.18A:18A-2 (pending before the Legislature as section 50 of this bill), 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 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made."

School Purchasing Programs (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. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A.18A:18A-3 except by contract or agreement."

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A.18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A.18A:39-3 is currently \$17,200.

The 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 we 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 maintained in satisfactory condition. 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.

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 Services employees authorized by the board of education.

The number of meals claimed for reimbursement was compared to sales and meal count record. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted and certified in a timely manner.

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 did not exceed 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 is uniformly administered throughout the School System. 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

During our review of student activities, no exceptions were noted.

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, and bilingual. We also performed a review of the district's procedures related to its completion. The information on the ASSA was compared to the district workpapers with exception. The information that was included on the workpapers was verified without exception. The results of the procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms of their equivalent.

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

Pupil Transportation

Audit procedures included a test of on-roll status reported in the 2014-2015 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 the procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation contracts and purchases. Based on this review, the 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 purchased of goods and services.

Follow-up on Prior-Year Findings

In accordance with Governmental Auditing Standards, our procedures included a review of all prior year recommendations including 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 team.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Robert W. Allison
Certified Public Accountant
Public School Accountant, No. 897

Freehold, New Jersey
December 18, 2015

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

SPRING LAKE HEIGHTS BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2014

	2015-2016 Application for State School Aid				Sample for Verification				Private Schools for Disabled			
	Reported on A.S.S.A. On Roll	Reported on Workpapers On Roll	Errors Full	Errors Shared	Sample Selected from Workpapers	Verified per Registers On Roll	Errors per Registers On Roll	Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors	
Half Day Preschool	30	30			15	15						
Full Day Preschool	37	37			16	16						
Half Day Kindergarten	31	31			15	15						
Full Day Kindergarten	36	36			15	15						
One	38	38			15	15						
Two	34	34			15	15						
Three	42	42			16	16						
Four	28	28			15	15						
Five	35	35			15	15						
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Subtotal	311	311			137	137						
Special Ed - Elementary	18	18			15	15						
Special Ed - Middle School	18	18			15	15		3	3	3		
Special Ed - High School								7	7	7		
Subtotal	36	36			30	30		10	10	10		
Co. Voc.-Regular												
Co. Voc.Ft.Post Sec.												
Totals	347	347			167	167		10	10	10		
Percentage Error												

SCHEDULE OF AUDITED ENROLLMENTS (2)

SPRING LAKE HEIGHTS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	2015-2016 Application for State School Aid			Resident LEP Low Income			
	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 Selected from Application and Register	Errors
Half Day Preschool							
Full Day Preschool							
Half Day Kindergarten							
Full Day Kindergarten							
One	5	5		3	3		
Two	2	2		2	2		
Three	4	4		2	2		
Four	5	5		4	4		
Five	3	3		3	3		
Six	4	4		4	4		
Seven	4	4		4	4		
Eight	4	4		4	4		
Nine							
Ten							
Eleven							
Twelve							
Subtotal	31	31		26	26		
Special Ed - Elementary	2	2		2	2		
Special Ed - Middle	7	7		7	7		
Special Ed - High							
Subtotal	9	9		9	9		
Co. Voc.-Regular							
Co. Voc.Ft.Post Sec.							
Totals	40	40		35	35		
Percentage Error							
Transportation							
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors	
Reg. - Public Schools	66	66		45	45		
Reg. - SpEd	33	33		22	22		
Transported - Non-Public AIL	18	18		13	13		
Special Ed Spec							
Totals	117	117		80	80		
Percentage Error							

SCHEDULE OF AUDITED ENROLLMENTS (3)

**SPRING LAKE HEIGHTS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	2015-2016 Application for State School Aid			Sample for Verification		
	Resident	LEP	NOT Low Income			
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One	3	3		3	3	
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
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						

**SPRING LAKE HEIGHTS
SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION**

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2014-2015 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 8,461,432.63 (B)
Increased By:	
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ - (B1a)</u>
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ - (B1b)</u>
Transfer from General Fund to SRF for PreK-Regular	<u>\$ - (B1c)</u>
Transfer from General Fund to SRF for PreK-Inclusion	<u>\$ - (B1d)</u>
Decreased By:	
On-Behalf TPAF Pension & Social Security	<u>\$ 486,416.44 (B2a)</u>
Assets Acquired Under Capital Leases	<u>\$ - (B2b)</u>
 Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)-(B2s)]	 <u>\$ 7,975,016.19 (B3)</u>
 2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	 <u>\$ 159,500.32 (B4)</u>
Enter Greater of (B4) or \$250,000	<u>\$ 250,000.00 (B5)</u>
Increased By: Allowable Adjustment*	<u>\$ 9,534.00 (K)</u>
 Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	 <u>\$ 259,534.00 (M)</u>

SECTION 2

Total General Fund – Fund Balances @ 6/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,079,655.97 (C)
Decreased By:	
Year-end Encumbrances	<u>\$ 148,381.51 (C1)</u>
Legally Restricted – Designated for Subsequent Year’s Expenditures	<u>\$ (C2)</u>
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures**	<u>\$ (C3)</u>
Other Restricted Fund Balances****	<u>\$ 605,592.46 (C4)</u>
Assigned Fund Balance - Unreserved – Designated for Subsequent Year's Expenditures	<u>\$ 75,682.00 (C5)</u>
 Total Unassigned Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	 <u>\$ 250,000.00 (U1)</u>

**SPRING LAKE HEIGHTS
SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION**

SECTION 3

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0- \$ - (E)

Recapitulation of Excess Surplus as of June 30, 2015

Reserve Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ <u> </u> (C3)
Reserved Excess Surplus***[(E)]	\$ <u> -</u> (E)
Total [(C3)+(E)]	\$ <u> </u> (D)

Footnotes:

* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for: (H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general Accordingly, effective for the year ending June 30, 2015 the Federal Impact Aid adjustment to expenditures is limited to the pc of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve – General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4)

- (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
- (J1) Extraordinary Aid;
- (J2) Additional Nonpublic School Transportation Aid;
- (J3) Recognized current year School Bus Advertising Revenue; and
- (J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ <u> -</u>	(H)
Sale & Lease-Back	\$ <u> -</u>	(I)
Extraordinary Aid	\$ <u> 9,325.00</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ <u> 209.00</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ <u> -</u>	(J3)
Family Crisis Transportation Aid	\$ <u> -</u>	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ <u> 9,534.00</u>	(K)

** This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amounts must agree to the June 30, 2015 CAFR and must agree to Audit Summary 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	\$ <u> -</u>	
Sale/lease-back reserve	\$ <u> -</u>	
Capital reserve	\$ <u> 175,000.00</u>	
Maintenance reserve	\$ <u> 280,592.46</u>	
Emergency reserve	\$ <u> 50,000.00</u>	
Tuition reserve	\$ <u> 100,000.00</u>	
School Bus Advertising 50% Fuel Offset Reserve - Current Year	\$ <u> -</u>	
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	\$ <u> -</u>	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ <u> -</u>	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ <u> -</u>	

**SPRING LAKE HEIGHTS
SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION**

Other state/government mandated reserve	<u> -</u>
[Other Restricted Fund Balance not noted above]****	<u> -</u>
 Total Other Restricted Fund Balance	 <u> \$ 605,592.46 (C4)</u>