

BOROUGH OF FAIR HAVEN SCHOOL DISTRICT

AUDITOR'S MANAGEMENT REPORT

COUNTY OF MONMOUTH

JUNE 30, 2016

**ROBERT A. HULSART & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Fair Haven 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 Fair Haven School District in the County of Monmouth, for the year ended June 30, 2016, and have issued our report thereon dated December 1, 2016.

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 Fair Haven 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 1, 2016

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Valerey J. Petrone	School Business Administrator/ Board Secretary	\$ 200,000
Thomas O'Hara	Treasurer	\$ 200,000

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 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.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the proper adjustments in accordance with N.J.A.C. 6A:23-3.1(f)3.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed no reportable conditions. The records of the Board Secretary are maintained in an outstanding condition.

The Board Secretary's records were compared to the Treasurer's records and found to be in agreement.

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary.

The Treasurer's cash balance for the general operating account was in agreement with the reconciled cash balance as determined during the audit.

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. 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 IIA of the Elementary and Secondary Education Act as amended.

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 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 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.

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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 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 \$40,000 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 \$40,000.00. 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.

Valerey J. Petrone has been designated Certified Purchasing Officer by the Board of Education with the bid threshold at \$40,000.

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, 2015 and thereafter the bid threshold in accordance with N.J.S.A. for Transportation Contracts 18A:39-3 is \$18,800.00.

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.

School Food Service Fund

The School Food Service Program has not been audited as a major program and has not expended \$100,000 or more in Federal and State Support.

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.

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 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 is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completed and available for review.

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. All food services charges were properly recorded.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education. No exceptions were noted.

The cash disbursement records reflected expenditures for program related goods and services. Districts with food service management companies are depositing and expending 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.

Cash receipts and bank records were reviewed for timely deposits.

Facilities and Capital Assets

Our procedures included a review of the EDA grant agreements for consistency with recording EDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-16 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. 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.

Student Body Activities

During our review of the student activity funds and the athletic fund, all records were found to be in good order and no exceptions were noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 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 districts written procedures appear to be adequate for the recording of student enrollment data.

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 classification 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.

Follow-Up on Prior Year's 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

2015-16 Total General Fund Expenditures Per the CAFR	\$ 14,904,307
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Increased:

Transfer Capital Reserve to Capital Projects	553,807
Additional Transfer Capital Reserve to Capital Projects	47,500
Transfer Capital Outlay to Capital Projects	<u>168,326</u>
	<u>15,673,940</u>

Decreased by:

On-Behalf TPAF Pension and Social Security	<u>(1,455,201)</u>
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Adjusted 15-16 General Fund Expenditures	<u>\$ 14,218,739</u>
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2% of Adjusted 2015-16 General Fund Expenditures	<u>\$ 284,375</u>
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Enter Greater of Above or \$250,000	\$ 281,375
Increased by Allowable Adjustment	<u>169,175</u>

Maximum Unassigned Fund Balance	<u>\$ 450,550</u>
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Section 2

Total General Fund – Fund Balance @ 6-30-16	\$ 2,864,895
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Decreased by:

Reserved for Encumbrances	(192,811)
Designated for Subsequent Years Expenditures – Excess Surplus	(562,461)
Designated for Subsequent Years Expenditures – Maintenance Reserve	(395,000)
Other Reserves	<u>(779,981)</u>

Total Unassigned Fund Balance	<u>\$ 934,642</u>
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Recapitulation of Excess Surplus as of June 30, 2016

Designated for Subsequent Years Expenditures – Excess Surplus	\$ 562,461
Reserved Fund Balance – Excess Surplus	<u>484,092</u>

	<u>\$ 1,046,553</u>
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Section 3**Detail of Allowable Adjustment**

Extraordinary Aid	\$ 158,912
Non-Public Transportation Aid	<u>10,263</u>

	<u>\$ 169,175</u>
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Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 279,981
Emergency Reserve	250,000
Capital Reserve	<u>250,000</u>

Total Other Restricted Fund Balance	<u>\$ 779,981</u>
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FAIR HAVEN SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 2

ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 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	16		16				16		16							
Half Day Kindergarten	76		76				76		76							
One	94		94				94		94							
Two	99		99				99		99							
Three	98		98				98		98							
Four	95		95				95		95							
Five	91		91				91		91							
Six	123		123				123		123							
Seven	102		102				102		102							
Eight	97		97				97		97							
Subtotal	<u>891</u>	<u>0</u>	<u>891</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>891</u>	<u>0</u>	<u>891</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	76		76				76		76							
Special Ed - Middle School	45		45				45		45							
Special Ed - High School																
Subtotal	<u>121</u>	<u>0</u>	<u>121</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>121</u>	<u>0</u>	<u>121</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>1,012</u>	<u>0</u>	<u>1,012</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,012</u>	<u>0</u>	<u>1,012</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>0%</u>

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	Low Income			Sample for Verification			Resident LEP Not 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 Register	Sample Errors	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Kindergarten												
One	1	1		1	1		1	1		1	1	
Two												
Three												
Four												
Five												
Six	2	2		2	2							
Seven	1	1		1	1							
Eight	2	2		2	2							
Subtotal	6	6	0	6	6	0	1	1	0	1	1	0
Special Ed. - Elementary	2	2		2	2							
Special Ed. - Middle School	1	1		1	1							
Special Ed. - High School												
Subtotal	3	3	0	3	3	0	0	0	0	0	0	0
Totals	9	9	0	9	9	0	1	1	0	1	1	0
Percentage Error			0%			0%			0%			0%

	Transportation						Reported	Recalculated
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools, col. 1	-	-		-	-		3.70	3.70
Reg. Special Education, col. 4	-	-		-	-		3.70	3.70
Transported - Non-Public, col. 3	71	71		71	71		0.70	0.70
Special Education Spec., col. 6	3	3		3	3			
Totals	74	74	0	74	74	0		
Percentage Error			0%			0%		

Note - The District had no LEP Low Income Students