

BOROUGH OF LAKEHURST SCHOOL DISTRICT

AUDITOR'S MANAGEMENT REPORT

COUNTY OF OCEAN

JUNE 30, 2016

**ROBERT A. HULSART & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
2807 HURLEY POND ROAD, SUITE 100
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AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Lakehurst School District
County of Ocean, 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 Borough of Lakehurst School District in the County of Ocean, for the year ended June 30, 2016, and have issued our report thereon dated November 28, 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 Borough of Lakehurst 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

November 28, 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>
Barry Parlman	Business Administrator/Board Secretary	\$ 85,000
Elizabeth Sarantinoudis	Treasurer	200,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Commerce National Insurance Company covering all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board 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:23-3.1(f) 4.

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

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 School Business Administrator/Board Secretary.

A payroll service is controlling the funds for payment of various taxes.

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.

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.

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.

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. 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, and Title IIA of the E.S.E.A.

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 the special projects indicated no areas of noncompliance

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.

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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids - (Continued)

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 was not selected as a major Federal and/or State program. However, the program expenditures exceeded \$100,000 in Federal and/or State support. Accordingly, we inquired of school management or appropriate food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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 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. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed and agreed with meal counts. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review.

Cash receipts and bank records were reviewed for timely deposits per state guidelines.

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.

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 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.

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

School Food Service Fund

The food service for 2015-2016 contracted with Sodexo Food Services Inc. thru Manchester Township Board of Education for preparing and transporting meals. There is no guarantee in the contract.

Exhibits reflecting the Child Nutrition Program operations are included in Exhibits B-4 thru B-6.

Pupil Transportation

Our procedures 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.

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, 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. 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.

Follow-Up on Prior Year's Findings

None

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	\$ 8,918,097
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>559,098</u>
Adjusted 2015-16 General Fund Expenditures	<u>\$ 8,358,999</u>
2% of Adjusted 2015-16 General Fund Expenditures	<u>\$ 167,180</u>
Maximum Allowed	\$ 250,000
Increased by: Allowable Adjustment	<u>811,647</u>
Maximum Unassigned Fund Balance	<u>\$ 1,061,647</u>
Total General Fund – Fund Balance @ 6-30-16	\$ 1,800,133
Decreased by:	
Excess Surplus - Designated for Subsequent Year’s Expenditures	108,224
Unreserved – Designated for Subsequent Year’s Expenditures	<u>741,842</u>
Total Unassigned Fund Balance	<u>\$ 950,067</u>
Maximum Unassigned Fund Balance	<u>\$ 1,061,647</u>
Restricted Fund Balance – Excess Surplus	<u>\$ -0-</u>
<u>Detail of Allowable Adjustments</u>	
Non-Public Transportation Aid	\$ 584
Extraordinary Aid	49,496
Impact Aid	<u>761,567</u>
Total Allowable Adjustments	<u>\$ 811,647</u>

LAKEHURST 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			
Full Day Preschool - 4yrs Old	25		25				25		25							
Full Day Kindergarten	27		27				27		27							
One	37		37				37		37							
Two	35		35				35		35							
Three	26		26				26		26							
Four	29		29				29		29							
Five	21		21				21		21							
Six	26		26				26		26							
Seven	26		26				26		26							
Eight	27		27				27		27							
Subtotal	<u>279</u>	<u>0</u>	<u>279</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>279</u>	<u>0</u>	<u>279</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	55		55				55		55				4	4	4	
Special Ed. - Middle School	25		25				25		25							
Special Ed. - High School													2	2	2	
Subtotal	<u>80</u>	<u>0</u>	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>80</u>	<u>0</u>	<u>80</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>359</u>	<u>0</u>	<u>359</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>359</u>	<u>0</u>	<u>359</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>6</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 A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Full Day Preschool - 4yrs	15	15		15	15		3	3		3	3	
Full Day Kindergarten	16	16		13	13							
One	14	14		11	11							
Two	12	12		12	12		2	2		2	2	
Three	14	14		10	10		1	1		1	1	
Four	8	8		6	6							
Five	16	16		9	9							
Six	8	8		5	5							
Seven	16	16		10	10							
Eight	16	16		10	10							
Subtotal	119	119	0	91	91	0	6	6	0	6	6	0
Special Ed. - Elementary	33	33		25	25							
Special Ed. - Middle School	13	13		9	9							
Special Ed. - High School												
Subtotal	46	46	0	34	34	0	0	0	0	0	0	0
Totals	165	165	0	125	125	0	6	6	0	6	6	0
Percentage Error			0%			0%			0%			0%

	Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. 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
Grade 3	2	2		2	2	
Grade 4	1	1		1	1	
Grade 5	1	1		1	1	
Grade 8	1	1		1	1	
Special Ed. - Elementary	1	1		1	1	
Percentage Error	6	6	0	6	6	0
			0%			0%

	Transportation						Reported	Recalculated
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools	22	22		22	22		3.8	3.8
Reg. - Special Ed.	5	5		5	5		3.8	3.8
Transported - Non-Public	6	6		6	6		7.0	7.0
Special Ed. With Special Needs	16	16		16	16			
Totals	49	49	0	49	49	0		
Percentage Error			0%			0%		

SCHEDULE OF MEAL COUNT ACTIVITY

LAKEHURST SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Program</u>	<u>Category</u>	<u>Claimed</u>	<u>Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	8,185	2,555	2,555	\$ 0.350	-
	Reduced	4,666	1,508	1,508	2.745	-
	Free	19,694	5,673	5,673	3.145	-
		<u>32,545</u>	<u>9,736</u>	<u>9,736</u>		<u>-</u>
National School Breakfast Program (Severe Needs)	Paid	449	204	204	\$ 0.290	-
	Reduced	785	265	265	1.690	-
	Free	6,112	1,950	1,950	1.990	-
		<u>7,346</u>	<u>2,419</u>	<u>2,419</u>		<u>-</u>
Total		<u>39,891</u>	<u>12,155</u>	<u>12,155</u>		<u>-</u>