

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, 2016**

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

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**REPORT OF INDEPENDENT AUDITORS
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
County of Monmouth
Spring Lake Heights, New Jersey 07762

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 Borough of Spring Lake Heights in the County of Monmouth for the year ended June 30, 2016, and have issued our report thereon dated November 18, 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 Spring Lake Heights 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.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

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

Freehold, New Jersey
November 18, 2016

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**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Honorable President and Members
of the Board of Education
Spring Lake Heights Board of Education
County of Monmouth
Spring Lake Heights, New Jersey 07762

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, 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.

Official Bonds

Name	Position	Amount
Matthew Varley	Business Administrator/Board Secretary	\$175,000

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:23A-17.1(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 signature, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employee's 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.

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 Treasurer of School Monies who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

An inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit, the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C.6A:23-1.2 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-8.3. 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.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition.

Treasurer's Records

The records of the Treasurer of School Monies were in satisfactory condition.

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, II, IV and VI of the Elementary and Secondary Education Act as amended and reauthorized.

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 (continued):

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 federal and 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 forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report 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 funds was made prior to the end of the 90 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

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (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 \$18,800 for 2015-16. The District currently has a Qualified Purchasing Agent.

The District 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.

Based upon the results of my examination, I did not note any individual payments, contracts, or agreements 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 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 school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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 school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Student Body Activities

A minimal cash receipts and disbursements record was maintained in satisfactory condition. The financial transactions of the student body activities were maintained in satisfactory condition.

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, bilingual 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 equivalent. 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 2015-2016 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 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.

Follow-up on Prior Years' Findings

There were no prior year findings.

Review of OFAC Findings

Not applicable.

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
November 18, 2016

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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, 2015**

	2016-2017 Application for State School Aid				Sample for Verification				Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Workpapers On Roll		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	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool														
Full Day Preschool														
Half Day Kindergarten														
Full Day Kindergarten	31	31	33	33	16	16	16	16	16	16	16	16	16	16
One	31	31	33	33	16	16	16	16	16	16	16	16	16	16
Two	33	33	33	33	16	16	16	16	16	16	16	16	16	16
Three	33	33	33	33	16	16	16	16	16	16	16	16	16	16
Four	38	38	38	38	16	16	16	16	16	16	16	16	16	16
Five	38	38	38	38	17	17	17	17	17	17	17	17	17	17
Six	37	37	37	37	17	17	17	17	17	17	17	17	17	17
Seven	41	41	41	41	17	17	17	17	17	17	17	17	17	17
Eight	41	41	41	41	17	17	17	17	17	17	17	17	17	17
Nine	32	32	32	32	16	16	16	16	16	16	16	16	16	16
Ten														
Eleven														
Twelve														
Subtotal	314	314	314	314	147	147	147	147	147	147	147	147	147	147
Special Ed - Elementary	14	14	14	14	10	10	10	10	10	10	10	10	10	10
Special Ed - Middle School	18	18	18	18	10	10	10	10	10	10	10	10	10	10
Special Ed - High School														
Subtotal	32	32	32	32	20	20	20	20	20	20	20	20	20	20
Co. Voc.-Regular														
Co. Voc.Ft.Post Sec.														
Totals	346	346	346	346	167	167	167	167	167	167	167	167	167	167
Percentage Error														

SCHEDULE OF AUDITED ENROLLMENTS (2)

**SPRING LAKE HEIGHTS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

2016-2017 Application for State School Aid		Sample for Verification		Resident LEP Low Income		Sample for Verification	
Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Application and Register
Half Day Preschool							
Full Day Preschool							
Half Day Kindergarten							
Full Day Kindergarten							
One	1	3	3				
Two	2	2	2				
Three	1	2	2				
Four	4	4	4				
Five	4	3	3				
Six	3	4	4				
Seven	3	4	4				
Eight							
Nine	1	4	4				
Ten							
Eleven							
Twelve							
Subtotal	21	22	1	26	26		
Special Ed - Elementary							
Special Ed - Middle	6	6	5	5	5		
Special Ed - High							
Subtotal	6	6	5	5	5		
Co. Voc.-Regular							
Co. Voc.Ft.Post Sec.							
Totals	27	28	1	31	31		
Percentage Error			<u>3.70%</u>				
Transportation							
	Reported on DR IRS by DOE/county	Reported on DR IRS by District	Errors	Tested	Verified	Errors	
Reg. - Public Schools	59	59		40	40	40	
Reg - SpEd	30	30		20	20	20	
Transported - Non-Public							
AIL	15	15		11	11	11	
Special Ed Spec							
Totals	104	104		71	71	71	
Percentage Error							

SCHEDULE OF AUDITED ENROLLMENTS (3)

**SPRING LAKE HEIGHTS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	2016-2017 Application for State School Aid			Sample for Verification		
	Resident LEP NOT Low Income		Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income					
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One						
Two	3	3		3	3	
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						

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

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 8,276,620.21 (B)
Increased By:	
Transfer from Capital Outlay to Capital Projects Fund	\$ - (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ - (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ - (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ - (B1d)
Decreased By:	
On-Behalf TPAF Pension & Social Security	\$ 571,542.68 (B2a)
Assets Acquired Under Capital Leases	\$ - (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 7,705,077.53 (B3)</u>
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	<u>\$ 154,101.55 (B4)</u>
Enter Greater of (B4) or \$250,000	<u>\$ 250,000.00 (B5)</u>
Increased By: Allowable Adjustment*	<u>\$ 11,831.00 (K)</u>
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	<u><u>\$ 261,831.00 (M)</u></u>

SECTION 2

Total General Fund – Fund Balances @ 6/30/2016 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 1,574,270.30 (C)</u>
Decreased By:	
Year-end Encumbrances	<u>\$ 78,803.65 (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>\$ 1,180,592.46 (C4)</u>
Assigned Fund Balance - Unreserved – Designated for Subsequent Year's Expenditures	<u>\$ 30,000.00 (C5)</u>
Total Unassigned Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u><u>\$ 284,874.19 (U1)</u></u>

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

SECTION 3

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0- \$ 23,043.19 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserve Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ - (C3)
Reserved Excess Surplus***[(E)]	\$ <u>23,043.19</u> (E)
Total [(C3)+(E)]	\$ <u>23,043.19</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, 2016 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	\$ - (H)
Sale & Lease-Back	\$ - (I)
Extraordinary Aid	\$ <u>11,119.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>712.00</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ - (J3)
Family Crisis Transportation Aid	\$ - (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ <u>11,831.00</u> (K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amounts must agree to the June 30, 2016 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	\$ -
Sale/lease-back reserve	\$ -
Capital reserve	\$ <u>600,000.00</u>
Maintenance reserve	\$ <u>380,592.46</u>

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

Emergency reserve	—	-	
Tuition reserve	\$	200,000.00	
School Bus Advertising 50% Fuel Offset Reserve - Current Year	\$	-	
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	\$	-	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	-	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$	-	
Other state/government mandated reserve	\$	-	
[Other Restricted Fund Balance not noted above]****	\$	-	
Total Other Restricted Fund Balance	\$	1,180,592.46	(C4)