

Atlantic Highlands Board of Education

Auditor's Management Report

County of Monmouth

June 30, 2017

**Robert A. Hulsart & Company
Certified Public Accountants
2807 Hurley Pond Road, Suite 100
Wall, New Jersey 07719**

ATLANTIC HIGHLANDS BOARD OF EDUCATION

AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

1.

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Atlantic Highlands 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 Atlantic Highlands School District in the County of Monmouth for the year ended June 30, 2017, and have issued our report thereon dated November 14, 2017.

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 Atlantic Highlands 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.

ROBERT A. HULSART AND COMPANY

Licensed Public School Accountant
No. 322

November 14, 2017

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

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, 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 district's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Janet G. Sherlock	Board Secretary/School Business Administrator/Treasurer	\$ 175,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the per pupil costs 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

The net salaries of all employees of the Board were deposited in the Net 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 Board in the bill lists in the minute records and were certified by the Board Secretary/School Business Administrator and the Superintendent.

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 goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered as of June 30. No exceptions were noted.

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 were maintained in a satisfactory manner.

The Board Secretary's records were compared to the Treasurer's records and they were in agreement for the period July 1, 2016 to June 30, 2017.

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary for the period July 1, 2016 until June 30, 2017.

The Treasurer's cash balances for all accounts were in agreement with the reconciled cash balance as determined during the audit for the above period.

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.

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.

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly 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.

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.

Janet Sherlock 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.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 Fund has not been audited as a major program and has not expended \$100,000 or more in Federal and State support.

The food services for 2016-17 were awarded to Maschio's Inc. on their proposal of a management fee of \$7,315 with a guaranteed break even to the district.

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 policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completeness and availability.

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 and 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. No exceptions were noted.

School Food Service Fund (Continued)

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. Districts with food services 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.

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

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2016 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 information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-2017 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.

Facilities and Capital Assets

Our procedures included a review of the EDA grant agreement 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. No exceptions were noted.

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

2016-17 Total General Fund Expenditures Per the CAFR	\$ 5,774,847
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(756,700)</u>
Adjusted 2016-17 General Fund Expenditures	<u>\$ 5,018,147</u>
2% of Adjusted 2016-17 General Fund Expenditures	<u>\$ 100,363</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>25,531</u>
Maximum Unassigned Fund Balance	<u>\$ 275,531</u>

Section 2

Total General Fund – Fund Balance @ 6-30-17	\$ 827,076
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Decreased by:

Designated for Subsequent Years Expenditures – Excess Surplus	(85,625)
Designated for Subsequent Years Expenditures	(32,501)
Designated for Subsequent Years Expenditures – Maintenance Reserve	(88,206)
Designated for Subsequent Years Expenditures – Capital Reserve	(31,850)
Other Reserves	<u>(220,522)</u>

Total Unassigned Fund Balance	<u>\$ 368,372</u>
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Reserved Fund Balance – Excess Surplus	<u>\$ 92,841</u>
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2% Calculation of Excess Surplus (Continued)**Section 3**

Designated for Subsequent Years Expenditures - Excess Surplus	\$ 85,625
Reserved Fund Balance – Excess Surplus	<u>92,841</u>

	<u>\$ 178,466</u>
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Detail of Allowable Adjustments

Extraordinary Aid	\$ 20,485
Non-Public Transportation	<u>5,046</u>

Total Detail of Allowable Adjustments	<u>\$ 25,531</u>
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Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 211,172
Emergency Reserve	2,200
Capital Reserve	<u>7,150</u>

Total Other Reserved Fund Balance	<u>\$ 220,522</u>
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ATLANTIC HIGHLANDS SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 2

ENROLLMENT AS OF OCTOBER 15, 2016

	2017-18 Application for State School Aid						Sample for Verification						Private Schools for Handicapped			
	Reported On A.S.S.A. on Roll		Reported on Workpapers on Roll		Errors		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
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3yrs.	9		9				9		9							
Full Day Preschool - 3yrs.	5		5				5		5							
Half Day Preschool - 4yrs.	4		4				4		4							
Full Day Preschool - 4yrs.	13		13				13		13							
Full Day Kindergarten	39		39				39		39							
One	43		43				43		43							
Two	40		40				40		40							
Three	30		30				30		30							
Four	36		36				36		36							
Five	44		44				44		44							
Six	33		33				33		33							
Subtotal	296	0	296	0	0	0	296	0	296	0	0	0	0	0	0	0
Special Ed - Elementary	28		28				28		28				1	1	1	
Special Ed - Middle School	11		11				11		11							
Special Ed - High School																
Subtotal	39	0	39	0	0	0	39	0	39	0	0	0	1	1	1	0
Totals	335	0	335	0	0	0	335	0	335	0	-	0	1	1	1	0
Percentage Error					0%	0%					0%	0%				0%

ATLANTIC HIGHLANDS SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2016

	<u>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>
Full Day Kindergarten	3	3		3	3	
One	2	2		2	2	
Two	2	2		2	2	
Three	2	2		2	2	
Four	4	4		4	4	
Five	5	5		5	5	
Six	2	2		2	2	
Subtotal	<u>20</u>	<u>20</u>	<u>0</u>	<u>20</u>	<u>20</u>	<u>0</u>
Special Ed - Elementary	5	5		5	5	
Special Ed - Middle	3	3		3	3	
Subtotal	<u>8</u>	<u>8</u>	<u>0</u>	<u>8</u>	<u>8</u>	<u>0</u>
Totals	<u>28</u>	<u>28</u>	<u>0</u>	<u>28</u>	<u>28</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

LEP STUDENTS-LOW INCOME

	<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>
	Three	1	1		1	1
Five	2	2		2	2	
Total	<u>3</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

LEP STUDENTS- NOT LOW INCOME

	<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>
	Two	1	1		1	1
Five	1	1		1	1	
Total	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

LEP STUDENTS- NOT LOW INCOME

	<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>
	Two	1	1		1	1
Five	1	1		1	1	
Total	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

TRANSPORTATION

	<u>Reported on DRTRS by DOE</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Sample Errors</u>
	Reg. - Public Schools					
Transported - Non-Public	3	3		3	3	
Special Needs - Public	1	1		1	1	
Totals	<u>4</u>	<u>4</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>
Percentage Error						<u>0%</u>

	<u>Reported</u>	<u>Recalculated</u>
Avg. Mileage - Regular Including Grade PK Students	6.6	6.6
Avg. Mileage - Regular Excluding Grade PK Students	6.6	6.6
Avg. Mileage - Special Ed. With Special Needs	31.0	31.0