

**HENRY HUDSON REGIONAL
BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT
COUNTY OF MONMOUTH
JUNE 30, 2017**

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

FINANCIAL, COMPLIANCE AND PERFORMANCE

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Henry Hudson Regional School District
Highlands, 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 Henry Hudson Regional School District in the County of Monmouth for the year ended June 30, 2017, and have issued our report thereon dated November 15, 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 Henry Hudson Regional 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 15, 2017

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>
Janet Sherlock	Board Secretary/School Business Administrator	\$ 200,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond under the blanket policy covering all other employees with multiple coverage of \$250,000.00.

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 increase/decrease in 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, certifications, 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 Board Secretary/School Business Administrator.

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 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: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% overall 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. No Child Left Behind 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 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.

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.

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 Simplified Culinary Services on their proposal of a management fee of \$9,000 with a guaranteed break even to the district.

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 meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

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. 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 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. Simplified Culinary Services inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursement records reflected expenditures for program related goods and services. The District deposited and expended 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-4-B-6.

The 2016-17 operations produced a net loss of \$19,160.

GAAP Accounting Implementation

The school district's double entry system of accounting records were maintained in accordance with the Department of Education's prescribed GAAP Technical Systems Manual, pursuant to N.J.S.A. 18:A4-14 and N.J.A.C. 6:20-2A.

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-17 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 exception were noted in our review of transportation related purchases of goods and services.

Student Body Activities/Athletic Account

Student Activities

During our review of the student activity funds, no exceptions were noted.

Follow-Up on Prior Year Findings

There were no prior year audit 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.

2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures Per the CAFR	\$ 7,786,177
Decreased by:	
On Behalf TPAF Pension and Social Security	_____ 0
Adjusted 2016-17 General Fund Expenditures	<u>\$ 7,786,177</u>
2% of Adjusted 2016-17 General Fund Expenditures	<u>\$ 155,724</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	_____ 18,085
Maximum Unassigned Fund Balance	<u>\$ 268,085</u>

Section 2

Total General Fund -- Fund Balance @ 6-30-17	\$ 3,841,256
Decreased by:	
Legally Restricted:	
Designated for Subsequent Year's Expenditures -- Excess Surplus	(1,403,835)
Other Restricted Reserved Fund Balances	(1,140,826)
Assigned - Designated for Subsequent Years Expenditures	_____ (8,198)
Total Unassigned Fund Balance	<u>\$ 1,288,397</u>
Restricted Fund Balance -- Excess Surplus	<u>\$ 1,020,312</u>

Section 3

Excess Surplus Designated for Subsequent Years Expenditures	\$ 1,412,033
Excess Surplus	_____ 1,020,312
	<u>\$ 2,432,345</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 12,517
Non-Public Transportation	_____ 5,568
	<u>\$ 18,085</u>

Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 470,000
Capital Reserve	_____ 670,826
	<u>\$ 1,140,826</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2016

	2017-18 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				
Seven	40		40				40		40								
Eight	45		45				45		45								
Nine	47		47				47		47								
Ten	36		36				36		36								
Eleven	32	6	32	6			32	6	32	6							
Twelve	33		33				33		33								
Subtotal	233	6	233	6	0	0	233	6	233	6	0	0	0	0	0	0	0
Special Ed. - Middle School	31		31				31		31				1	1	1		
Special Ed. - High School	35	10	35	10			35	10	35	10			6	6	6		
Subtotal	66	10	66	10	0	0	66	10	66	10	0	0	7	7	7	0	0
Co. Voc. - Regular																	
Co. Voc. - Ft. Post Sec.																	
Totals	299	16	299	16	0	0	299	16	299	16	0	0	7	7	7	0	0
Percentage Error					0%	0%					0%	0%					0%

HENRY HUDSON REGIONAL SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2016

	<u>Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Not 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>	<u>Reported on A.S.S.A. as LEP</u>	<u>Reported on Workpapers as LEP</u>	<u>Errors</u>	<u>Sample Selected From Workpapers</u>	<u>Verified to Test Score & Register</u>	<u>Sample Errors</u>
Seven	7	7		5	5							
Eight	12	12		11	11		1	1		1	1	
Nine	9	9		8	8							
Ten	8	8		8	8		1	1		1	1	
Eleven	10	10		6	6							
Twelve	8	8		4	4							
Subtotal	54	54	0	42	42	0	2	2	0	2	2	0
Special Ed. - Middle School	17	17		11	11							
Special Ed. - High School	13.5	13.5		7	7							
Subtotal	30.5	30.5	0	18	18	0	0	0	0	0	0	0
Totals	84.5	84.5	0	60	60	0	2	2	0	2	2	0
Percentage Error			0%			0%			0%			0%

Resident LEP - Low Income

	<u>Resident LEP - Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as LEP</u>	<u>Reported on Workpapers as LEP</u>	<u>Errors</u>	<u>Sample Selected From Workpapers</u>	<u>Verified to Test Score & Register</u>	<u>Sample Errors</u>
Seven	1	1		1	1	
Nine	1	1		1	1	
Eleven	1	1		1	1	
Special Ed. - Middle School	1	1		1	1	
Subtotal	4	4	0	4	4	0
Percentage Error			0%			0%

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>Errors</u>	<u>Reported</u>	<u>Recalculated</u>
	Reg. - Public Schools	150	150		150	150		
Transported - Non-Public	22	22		22	22		14.9	14.9
Special Ed. - Regular	29	29		29	29			
Special Needs - Private	1	1		1	1			
Totals	202	202	0	202	202	0		
Percentage Error						0%		

Avg. Mileage - Regular Including Grade PK Students
Avg. Mileage - Special Ed. With Special Needs