

Ocean Township Board of Education

Auditor's Management Report

County of Ocean

June 30, 2017

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

AUDITORS 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
Ocean Township 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 Ocean Township School District in the County of Ocean, for the year ended June 30, 2017, and have issued our report thereon dated November 17, 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 Ocean Township 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, C.P.A.
Licensed Public School Accountant
No. 322
ROBERT A. HULSART AND COMPANY

November 17, 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>
Steven Terhune	Business Administrator/ Board Secretary	\$ 250,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company covering all other employees with multiple coverage of \$100,000.00.

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(s)/decrease(s) in per pupil costs in accordance with N.J.A.C. 6A:23-17.1(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 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 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 on the items tested.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed no reportable conditions.

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.

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 the 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.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C.* 6A:23-16.2(f) 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.

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.

Steven Terhune 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 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 financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

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 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 did not exceed 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.

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.

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

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.

Food Distribution Program commodities were received and a separate inventory was maintained.

Application for State School Aid

Our audit procedures included a test of information reported on the October 15, 2016 Application for State School Aid.

The information on the A.S.S.A. was compared to the district workpapers without exception.

Student Activities

Our review of the records of the district's student activity account disclosed no reportable conditions.

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. 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 findings in 2015-2016.

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	\$ 18,300,548
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(1,149,999)</u>
Adjusted 2016-17 General Fund Expenditures	<u>\$ 17,150,549</u>
2% of Adjusted 2016-17 General Fund Expenditures	<u>\$ 343,011</u>
Enter Greater of Above or \$250,000	\$ 343,011
Increased by Allowable Adjustment	<u>182,640</u>
Maximum Unassigned Fund Balance	<u>\$ 525,651</u>

Section 2

Total General Fund -- Fund Balance @ 6-30-17	\$ 6,495,076
Decreased by:	
Year-End Encumbrances	(301,906)
Assigned Fund Balance -- Tuition Reserve - Designated for Subsequent Years Expenditures	(250,000)
Assigned Fund Balance -- Maintenance Reserve - Designated for Subsequent Years Expenditures	(1,648,631)
Assigned Fund Balance -- Unreserved - Designated for Subsequent Years Expenditures	(186,930)
Other Restricted Fund Balances	<u>(3,581,958)</u>
Total Unassigned Fund Balance	<u>\$ 525,651</u>
Reserved Excess Surplus -- Current Year	<u>\$ 0</u>

Section 3

Reserved Fund Balance -- Excess Surplus Designated for Subsequent Years Expenditures	\$ 0
Reserved Excess Surplus -- Current Year	<u>0</u>
	<u>\$ 0</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 182,466
Non Public Transportation	<u>174</u>
	<u>\$ 182,640</u>

Detail of Other Reserved Fund Balance

Maintenance Reserve	\$ 512,800
Tuition Reserve	750,000
Emergency Reserve	250,000
Capital Reserve	<u>2,069,158</u>
Total	<u>\$ 3,581,958</u>

OCEAN TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2016

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	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.	3		3				3		3							
Half Day Preschool - 4yrs.	33		33				33		33							
Full Day Kindergarten	61		61				61		61							
One	57		57				57		57							
Two	57		57				57		57							
Three	58		58				58		58							
Four	58		58				58		58							
Five	52		52				52		52							
Six	67		67				67		67							
Subtotal	<u>446</u>	<u>0</u>	<u>446</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>446</u>	<u>0</u>	<u>446</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	57		57				57		57				4	4	4	
Special Ed. - Middle School	10		10				10		10				1	1	1	
Special Ed. - High School													2	2	2	
Subtotal	<u>67</u>	<u>0</u>	<u>67</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>67</u>	<u>0</u>	<u>67</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>513</u>	<u>0</u>	<u>513</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>513</u>	<u>0</u>	<u>513</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>0</u>
Percentage Error					<u>0%</u>	<u>0%</u>					<u>0%</u>	<u>0%</u>				<u>0%</u>

OCEAN TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2016

	Resident Low Income			Sample for Verification			Resident LEP Not Low Income - N/A			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 Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Preschool												
Full Day Kindergarten	30	30		27	27							
One	20	20		18	18							
Two	26	26		23	23							
Three	20	20		17	17							
Four	19	19		15	15							
Five	27	27		23	23							
Six	28	28		21	21							
Subtotal	170	170	0	144	144	0	0	0	0	0	0	0
Special Ed. - Elementary	27	27		23	23							
Special Ed. - Middle School	5	5		3	3							
Special Ed. - High School												
Subtotal	32	32	0	26	26	0	0	0	0	0	0	0
Totals	202	202	0	170	170	0	0	0	0	0	0	0
Percentage Error			0%			0%			0%			0%

RESIDENT LEP LOW INCOME STUDENTS - N/A

	Resident LEP - 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
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Subtotal	0	0	0	0	0	0
Special Ed. - Elementary						
Special Ed. - Middle School						
Special Ed. - High School						
Subtotal	0	0	0	0	0	0
Totals	0	0	0	0	0	0
Percentage Error			0%			0%

OCEAN TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2016

Transportation

	<u>Reported on DRTRS by DOE/County</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
Reg. - Public Schools, col. 1	440	440		197	197	
Reg. Special Education, col. 4	7	7		7	7	
Transported - Non-Public, col. 3	1	1		1	1	
Special Education Spec., col. 6	<u>44</u>	<u>44</u>		<u>40</u>	<u>40</u>	
Totals	<u>492</u>	<u>492</u>	<u>0</u>	<u>245</u>	<u>245</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

	<u>Reported</u>	<u>Recalculated</u>
Reg. Avg. (Mileage) = Regular Including Grade PK Students (Part A)	6.3	6.3
Ref. Avg. (Mileage) - Regular Excluding Grade PK Students (Part A)	6.3	6.3
Special Education Average	8.1	8.1

SCHEDULE OF MEAL COUNT ACTIVITY

OCEAN TOWNSHIP SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Breakfast (Severe Needs)	Paid	2,013	2,013	-	\$ 0.290	\$ -
	Reduced	1,280	1,280	-	1.740	-
	Free	7,859	7,859	-	2.040	-
		<u>11,152</u>	<u>11,152</u>	<u>-</u>		<u>-</u>
National School Lunch (Regular Rate)*	Paid	19,158	19,158	-	\$ 0.340	-
	Reduced	3,825	3,825	-	2.815	-
	Free	22,269	22,269	-	3.215	-
		<u>45,252</u>	<u>45,252</u>	<u>-</u>		<u>-</u>
Total		<u>56,404</u>	<u>56,404</u>	<u>-</u>		<u>-</u>

* The District also receives \$0.06 for HHFKA Meals

OCEAN TOWNSHIP SCHOOL DISTRICT

NET CASH RESOURCE SCHEDULE

NET CASH RESOURCES DID NOT EXCEED 3 MONTHS OF EXPENDITURES

PROPRIETARY FUNDS - FOOD SERVICE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Net Cash Resources:</u>		Food Service
		<u>G - 1/2</u>
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ 29,226
G-1	Accounts Receivables	4,964
	Current Liabilities	
G-1	Less Accounts Payable	<u>(3,947)</u>
	Net Cash Resources	<u>\$ 30,243 (A)</u>
 <u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	347,779
G-2	Less Depreciation	<u>(1,040)</u>
	Adjusted Total Operating Expenses	<u>346,739 (B)</u>
 <u>Average Monthly Operating Expense:</u>		
	B / 10	<u>\$ 34,674 (C)</u>
 <u>Three Times Monthly Average</u>		
	3 X C	<u>\$ 104,022</u>
Total in (A)		\$ 30,243
Less Total in (D)		<u>(104,022)</u>
Net		<u>\$ (73,779)</u>