

Auditor's Management Report

for the

*Holland Township
School District*

in the

*County of Hunterdon
New Jersey*

for the

*Fiscal Year Ended
June 30, 2019*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS-FINANCIAL AND COMPLIANCE**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Accounts	2
Position Control Roster	2
Reserve for Encumbrances Liability (Current) and Accounts Payable	3
Unemployment Compensation Insurance Trust Fund	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act (E.S.E.A.) as amended by Every Student Succeeds Act (ESSA)	3
Other Special Federal and State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4-5
Food Service Fund	6
Student Body Activities	7
Application for State School Aid	7
Pupil Transportation	7
Facilities	7
Testing for Lead of all Drinking Water in Educational Facilities	7
Follow-Up on Prior Year's Findings	7
Recommendations	8
Schedule of Audited Enrollments	9-11
Schedule of Calculation of Excess Surplus	12



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Holland Township School District
County of Hunterdon
Milford, New Jersey 08848

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Holland Township School District in the County of Hunterdon for the year ended June 30, 2019, and have issued our report dated November 15, 2019.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Holland Township School District, County of Hunterdon, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS



PUBLIC SCHOOL ACCOUNTANT NO. 948

November 15, 2019

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

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 Holland Township School District, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance (N.J.S.A. 18A:17-26, 18A: 17-32)

Insurance coverage was carried in the amounts as detailed in the District's CAFR (See Exhibit "J-20").

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Patti Fischer	Treasurer of School Monies	\$200,000.00
Brian McCarthy	Board Secretary/Business Administrator	\$100,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

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 salaries of all employees of the Board and the Board's required payroll contributions were deposited in the net payroll, payroll agency, and flexible spending accounts as applicable.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Reserve for Encumbrances, Liability (Current) for Accounts Payable

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23a-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 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The records maintained by the Board Secretary were in satisfactory condition and appropriate balances matched to those prepared by the Treasurer of School Monies

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and independently maintained from the Board Secretary/Board Administrator.

Elementary and Secondary Education Act (E.S.E.A.) as amended by Every Student Succeeds Act (ESSA)

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

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Other Special Federal and 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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts were used. No exceptions were noted.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 States:

"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 \$29,000.00, 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 therefor, 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.

Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. 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. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A. 18A:18A-4 states, "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 therefor, except as is provided otherwise in this chapter or specifically by any other law.

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies; the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

SCHOOL FOOD SERVICE FUND

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. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit without exception. 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 properly computed and timely filed. Meals claimed agreed with the meal count records tested. No exceptions were noted.

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced 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 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. No exceptions were noted.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted. Payroll records were maintained on all school food service employees. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. Exhibits reflecting Child Nutrition Program operations are included in Exhibits B-4, B-5, and B-6 of the CAFR.

Net cash resources did not exceed three months average expenditures.

National Food Distribution Commodities were received and an inventory was maintained on a first-in, first-out basis.

The Statement of Revenues, Expenses and Changes in Fund Net Position (CAFR B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

STUDENT BODY ACTIVITIES

Student Activities and Athletics Accounts

A cash receipts and disbursement record was maintained in satisfactory condition.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 15, 2018 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 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 procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on-roll status reported in the 2018-19 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 review of transfers of local funds from the general fund or from the capital reserve account, awarding of contracts for eligible facilities construction, and the District's capital assets ledger. Our audit revealed the following:

2019-1 Finding: The capital assets ledger provided by the District for the fiscal year 2019 was inaccurate and incomplete.

2019-1 Recommendation: That the District maintain an accurate and detailed capital assets ledger.

TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES

Our procedures included examination and interviews regarding the districts compliance with N.J.A.C. 26-1.2 and 12.4 relating to the testing for lead in drinking water. The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g). No exceptions were noted.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

2019-1 Recommendation: That the District maintain an accurate and detailed capital assets ledger.

9. Status of Prior Year's Findings/Recommendations

Corrective action has been take on all prior year findings.

HOLLAND TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2018

	2019-20 Application for State School Aid						Sample for Verification						Private School for Handicapped						
	Reported on A.S.S.A. as 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 Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Full Day Pre-K 3yr	13				13		3			3									
Full Day Pre-K 4yr	7				7		2			2									
Full Day Kindergarten	38				38		15			15									
One	50				50		19			19									
Two	41				41		14			14									
Three	39				39		15			15									
Four	39				39		15			15									
Five	52				52		20			20									
Six	54				54		20			20									
Seven	42				42		15			15									
Eight	53				53		20			20									
Subtotal	428				428		158			158									
SpEd Elementary	60				60		24			24									
SpEd Middle School	43				43		15			15									
SpEd High School																			
Subtotal	103				103		39			39									
Totals	531				531		197			197									
Percentage					100.00%														

HOLLAND TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2018

	Resident Low Income			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	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 Application and Register	Sample Errors
Full Day Pre-K 3yr	0	0	0	0	0	0	0	0	0	0	0	0
Full Day Pre-K 4yr	0	0	0	0	0	0	0	0	0	0	0	0
Full Day Kindergarten	4	4	0	1	1	0	2	2	0	1	1	0
One	6	6	0	3	3	0	0	0	0	0	0	0
Two	2	2	0	1	1	0	0	0	0	0	0	0
Three	2	2	0	1	1	0	0	0	0	0	0	0
Four	4	4	0	1	1	0	0	0	0	0	0	0
Five	5	5	0	1	1	0	1	1	0	1	1	0
Six	2	2	0	1	1	0	0	0	0	0	0	0
Seven	0	0	0	0	0	0	0	0	0	0	0	0
Eight	5	5	0	2	2	0	0	0	0	0	0	0
Nine	0	0	0	0	0	0	0	0	0	0	0	0
Ten	0	0	0	0	0	0	0	0	0	0	0	0
Eleven	0	0	0	0	0	0	0	0	0	0	0	0
Twelve	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	30	30	0	11	11	0	3	3	0	2	2	0
SpEd Elementary	12	12	0	4	4	0	0	0	0	0	0	0
SpEd Middle School	4	4	0	2	2	0	0	0	0	0	0	0
SpEd High School	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	16.0	16.0	0	6	6	0	0	0	0	0	0	0
Totals	46.0	46.0	0	17	17	0	3	3	0	2	2	0
Percentage Error	0.00%			0.00%			0.00%			0.00%		

Transportation

	Transportation		
	Reported on DRTS by DOE	Reported on DRTS by District	Tested
Reg. Public Schools col.1	249	249	121
Transported - Non-Public, col.2	3	3	1
Non Public AIL - col.3	8	8	3
Reg. - Special Ed, Col.4	76	76	36
Special Ed Spec, col.6	20	20	9
Totals	356	356	170
Percentage Error	0.00%		

HOLLAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT 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 Pre-K 3yr	0	0	0	0	0	0
Full Day Pre-K 4yr	0	0	0	0	0	0
Full Day Kindergarten	0	0	0	0	0	0
One	0	0	0	0	0	0
Two	0	0	0	0	0	0
Three	0	0	0	0	0	0
Four	1	1	0	1	1	0
Five	0	0	0	0	0	0
Six	0	0	0	0	0	0
Seven	0	0	0	0	0	0
Eight	0	0	0	0	0	0
Subtotal	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
SpEd Elementary	0	0	0	0	0	0
SpEd Middle School	0	0	0	0	0	0
SpEd High School	0	0	0	0	0	0
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

HOLLAND TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION 1

2% Calculation of Excess Surplus (2018-19 expenditures of \$100 million or less)

2018 - 2019 Total General Fund Expenditures	<u>12,515,489.74</u>	
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>1,544,452.73</u>	
Adjusted 2018 - 2019 General Fund Expenditures		<u>10,971,037.01</u>
2% of Adjusted 2018 - 2019 General Fund Expenditures		<u>219,420.74</u>
Greater of line above or \$250,000.00		<u>250,000.00</u>
Increased by: Allowable Adjustment		<u>100,325.00</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>350,325.00</u></u>

SECTION 2

Total General Fund Balances @ 6-30-19	<u>3,696,661.94</u>	
Decreased by:		
Year End Encumbrances	<u>740,847.73</u>	
Legally Restricted-Excess Surplus-Designated For Subsequent Year's Expenditures	<u>223,106.00</u>	
Other Restricted Fund Balances (Capital Reserve, Maintenance Reserve, Emergency Reserve)	<u>2,132,383.21</u>	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		<u>600,325.00</u>

SECTION 3

Reserved Fund Balance-Excess Surplus		<u><u>250,000.00</u></u>
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Recapitulation of excess surplus as of June 30, 2019

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		<u>223,106.00</u>
Reserved Excess Surplus		<u>250,000.00</u>
Total		<u><u>473,106.00</u></u>

Detail of Allowable Adjustments

Additional/Unbudgeted Extraordinary Aid		97,135.00
Additional/Unbudgeted Non-Public School Transportation Aid		<u>3,190.00</u>
		<u><u>100,325.00</u></u>

