

**HOLMDEL TOWNSHIP SCHOOL DISTRICT
MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Education
Holmdel Township School District
County of Monmouth, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Holmdel Township School District, County of Monmouth as of and for the year ended June 30, 2019, and have issued our report thereon dated December 23, 2019.

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 solely for the information and use of the Holmdel Township Board of Education's management, Board of Education members, others within the entity, and the New Jersey Department of Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

PKF O'Connor Davies, LLP

Cranford, New Jersey
December 23, 2019

A handwritten signature in black ink, appearing to read "Michael Andriola".

Michael Andriola, CPA
Licensed Public School Accountant
No. 2429

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary, 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 J-20, Insurance Schedule contained in the District's CAFR.

Official Bonds N.J.S.A. 18A:17-26, 18A:17-32, & 18A:13-13

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael R. Petrizzo	School Business Administrator/Board Secretary	\$ 115,000
Sean Boyce	Treasurer	315,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Monmouth Ocean County Shared Services Insurance Fund covering all other employees with multiple coverage of \$250,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The District 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:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period did not indicate any discrepancies with respect to signatures, certification or supporting documentation and no discrepancies or exceptions were noted.

Payroll Account and Position Control Roster

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, the Business Administrator/Board Secretary, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

Position control roster was reviewed for accuracy and no exceptions were noted.

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 and no exceptions were noted.

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 our randomly selected test samples, 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% overall 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 disclosed no exceptions.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer of School Monies were found to be in satisfactory condition and in agreement with the records maintained by the Board Secretary.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the 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 the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no instances of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The District's special projects were approved as listed on Schedules A (K-3) and B (K-4) 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 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(s) 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

Effective July 1, 2015 and thereafter, 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 currently \$19,000 for 2018-2019.

The District has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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, performed on a test basis, we 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 provisions of *N.J.S.A. 18A:18A-4*.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

Student Body Activities

During our audit of the student activity funds, we noted the below opportunities for improvement:

Finding 2019-001

The following transactions in the student activity funds did not fully comply with the procedures as set forth in the District's standard operating procedures manual and the guidance promulgated by the New Jersey Administrative Code 6A:23A-16.12.

- Not all cash receipts were promptly deposited.
- Certain items that were purchased from the District's student activity funds would be more appropriately purchased through the District's purchasing department.
- Reimbursements paid to several individuals contained New Jersey sales tax. New Jersey local school districts are political subdivisions of the State of New Jersey. Their purchases, except purchases of energy, are exempt from New Jersey sales and use taxes, pursuant to Section 9(a)(l) of the New Jersey Sales and Use Tax Act.

Recommendation

In order to maintain sound fiscal accountability, we recommend all schools review the current Board policy and if necessary the District enhance internal controls over student activity accounts to ensure that all financial and bookkeeping controls are adequate to ensure appropriate fiscal accountability and sound business practices are in place, which includes prompt deposit of funds in the bank and review of purchases for allowability and New Jersey sales taxes.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2018-2019 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. 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 New Jersey Schools Development Authority (“NJSDA”) grant agreements for consistency with recording NJSDA 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 in our review of NJSDA expenditures.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

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)

Follow-up on Prior Year’s Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year’s recommendations. There were no prior year findings and therefore no corrective action was required.

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.

HOLMDEL TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

Transportation

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Difference	Tested	Verified	Errors
Reg. - Public Schools	2,226.0	2,226.0	-	266	266	-
Reg -SpEd	55.0	55.0	-	7	7	-
Transported - Non-Public	65.0	65.0	-	8	8	-
AIL - Non-Public	35.0	35.0	-	4	4	-
Special Ed Spec	-	-	-	-	-	-
Totals	<u>2,381</u>	<u>2,381</u>	-	<u>285</u>	<u>285</u>	<u>-</u>
Percentage Error						<u>0.00%</u>

	Reported	Recalculated
Reg Avg.(Mileage) = Regular Including Grade PK students (Part A)	4.1	4.1
Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B)	4.1	4.1
Spec Avg. = Special Ed with Special Needs	NA	NA

HOLMDEL TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

June 30, 2019

SECTION 1 - Regular District

B. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 66,019,918	(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, Medical and Long-Term Disability Insurance & Social Security	\$ 8,752,125	(B2a)
Assets Acquired Under Capital Leases	\$ -	(B2b)
Adjusted 2018-19 General Fund Expenditures [(B) + (B1s) - (B2s)]	\$ 57,267,793	(B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ 1,145,356	(B4)
Enter Greater of (B4) or \$250,000	\$ 1,145,356	(B5)
Increased by: Allowable Adjustment*	\$ 581,896	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5) + (K)]	\$ 1,727,252	(M)

SECTION 2

Total General Fund - Fund Balances at 6-30-2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 8,641,378	(C)
Decreased by:		
Year-end Encumbrances	\$ 22,646	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ -	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ 17,826	(C3)
Other Restricted Fund Balances****	\$ 3,950,968	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ 2,982,174	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures - July 1, 2019 - August 1, 2019	\$ -	(C6) *****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ 1,667,764	(U1)

HOLMDEL TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

June 30, 2019

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ <u> </u> - (E)
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Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u> 17,826</u> (C3)
Reserved Excess Surplus *** [(E)]	\$ <u> </u> - (E)
 Total Excess Surplus [(C3)+(E)]	 \$ <u> 17,826</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 fund. Accordingly, effective for the year ending June 30, 2019 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund 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	\$ <u> </u> - (H)
Sales & Lease-back	\$ <u> </u> - (I)
Extraordinary Aid	\$ <u> 552,896</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u> 29,000</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ <u> </u> - (J3)
Family Crisis Transportation Aid	\$ <u> </u> - (J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 \$ <u> 581,896</u> (K)

HOLMDEL TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

June 30, 2019

- ** This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.
- *** Amount must agree to the June 30, 2019 CAFR and the sum of the two lines must agree to Audit Summary Line 90030.
- **** Amount for Other Reserved 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 any other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Office of School Finance prior to September 30.
- ***** Increase in Assigned Fund Balance - Unreserved - Designated for Subsequent Year's expenditures July 1, 2019 to August 1, 2019 resulting from decrease in state aid after adoption of the 2019-20

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	-
Sale/lease-back reserve	\$	-
Capital reserve	\$	2,000,000
Maintenance reserve	\$	1,950,968
Emergency reserve	\$	-
Waiver offset reserve - Designated for subsequent year	\$	-
Tuition reserve	\$	-
School Bus Advertising 50% Fuel Offset Reserve - current year	\$	-
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$	-
Impact Aid General Fund Reserve	\$	-
Impact Aid Capital Fund Reserve	\$	-
Other state/government mandated reserve	\$	-
[Other Restricted Fund Balance not noted above]*****	\$	-
Total Other Restricted Fund Balance	\$	<u>3,950,968</u> (C4)

HOLMDEL TOWNSHIP SCHOOL DISTRICT
COUNTY OF MONMOUTH

RECOMMENDATIONS

June 30, 2019

I. **Administration Practices and Procedures**

There are none.

II. **Financial Planning, Accounting and Reporting**

There are none.

III. **School Purchasing Program**

There are none.

IV. **School Food Service**

There are none.

V. **Student Body Activities**

In order to maintain sound fiscal accountability, we recommend all schools review the current Board policy and if necessary the District enhance internal controls over student activity accounts to ensure that all financial and bookkeeping controls are adequate to ensure appropriate fiscal accountability and sound business practices are in place, which includes prompt deposit of funds in the bank and review of purchases for allowability and New Jersey sales taxes.

VI. **Application for State School Aid**

There are none.

VII. **Pupil Transportation**

There are none.

VIII. **Facilities and Capital Assets**

There are none.

IX. **Miscellaneous**

There are none.

X. **Status of Prior Year Audit Findings/Recommendations**

Not applicable