

**SHORE REGIONAL HIGH
SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT
FISCAL YEAR ENDED JUNE 30, 2020**

SHORE REGIONAL HIGH SCHOOL DISTRICT

AUDITOR'S 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
Shore Regional School District
County of Monmouth

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Shore Regional High School District in the County of Monmouth for the year ended June 30, 2020, and have issued our report thereon dated December 31, 2020.

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 Shore Regional High School District management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Nicholas A. Cannone
Licensed Public School Accountant
No. CS-02103
Cannone & Company, CPAs

December 31, 2020

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 Moneys, 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

Insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the Statistical Section of the District's CAFR.

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Corey Lowell	Board Secretary/Business Administrator	\$205,000
Loretta Hill	Treasurer	\$205,000

There is an Employee Dishonesty Bond with New Jersey School Boards Association Insurance Group for \$250,000 each employee.

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/Business 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 payment.

Finding (2020-01): Our review of the payroll tax returns indicated that Form NJ 927 for the quarter-ended March 31, 2020 was incorrect. A calculation error caused NJ Family Leave Insurance (FLI), which is withheld from payroll, to not be remitted to the state.

Recommendation (2020-01): The district should ensure that payroll tax returns are prepared correctly and any balance due is promptly remitted to the taxing authorities.

Finding (2020-02): Form NJ 927 for the quarter ended March 31, 2019 was not filed with the State of New Jersey prior to the due date.

Recommendation (2020-02): The district should ensure that all payroll tax returns are filed in a timely fashion.

Finding (2020-03): For employees that elected summer pay for the years 2017 and 2018, it was discovered that Social Security and Medicare taxes were not deducted from wages.

Recommendation (2020-03): Summer pay is subject to Medicare and Social Security taxes and should be withheld from payroll and remitted to the Internal Revenue Service in a timely fashion.

Reserve for Encumbrances and Accounts Payable

All encumbrances and accounts payable at June 30, 2020 were properly recorded and classified.

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 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The Board Secretary's Records were found to be in order.

Treasurer's Records (optional position)

The Treasurer's Records were found to be in order.

Elementary and Secondary Education Act 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.

The study of compliance for E.S.E.A. did not indicate any 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 did not indicate any areas of noncompliance.

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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 \$19,000 for 2019-20.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where questions arise 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.

Based on the results of my examination, I 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 provision 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*.

School Food Service

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.

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and 19-1 through 19-4.1. Provisions of the FSMC contract were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will either break even, return a profit or incur a loss of not more than a specified amount. The operating results provision has been met.

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.

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

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.

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 is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

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

Student Body Activities

During our review of the Student Activity Funds, the following item was noted.

Finding (2020-04): Not all requisition forms were signed by the principal

Recommendation (2020-04): All requisition forms should be signed and approved by the principal.

Application for State School Aid

Our audit procedures included a test of information reported in the October Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. 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. Any errors or exceptions were rectified. 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 written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2019-20 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. No exceptions were noted.

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.

Follow-up on Prior Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all 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 team.

**BOARD OF EDUCATION
SHORE REGIONAL HIGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	2019-2020 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 Verifi-cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool																
Full Day Preschool																
Half Day Kindegarten																
Full Day Kindergarten																
One																
Two																
Three																
Four																
Five																
Six																
Seven																
Eight																
Nine	116	0	116	0	0	0	116	0	116	0	0	0				
Ten	138	0	138	0	0	0	138	0	138	0	0	0				
Eleven	116	7	116	7	0	0	116	7	116	7	0	0				
Twelve	126	3	126	3	0	0	126	3	126	3	0	0				
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	<u>496</u>	<u>10</u>	<u>496</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>496</u>	<u>10</u>	<u>496</u>	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Education:																
Elementary School																
Middle School																
High School	110	21	110	21	0	0	110	21	110	21	0	0				
Subtotal	<u>110</u>	<u>21</u>	<u>110</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>110</u>	<u>21</u>	<u>110</u>	<u>21</u>	<u>0</u>	<u>0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	<u>606</u>	<u>31</u>	<u>606</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>606</u>	<u>31</u>	<u>606</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>0.0</u>	<u>0.0</u>	<u>0</u>	<u>0</u>
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>#DIV/0!</u>

BOARD OF EDUCATION
SHORE REGIONAL HIGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	Low Income			Sample for Verification			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 Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One												
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine	9	9	0	9	9	0	1	1		1	1	0
Ten	11	11	0	11	11	0	3	3		3	3	0
Eleven	6.5	6.5	0	6.5	6.5	0	0.5	0.5		0.5	0.5	0
Twelve	12	12	0	12	12	0	1	1		1	1	0
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	<u>38.5</u>	<u>38.5</u>	<u>0</u>	<u>38.5</u>	<u>38.5</u>	<u>0</u>	<u>5.5</u>	<u>5.5</u>	<u>0</u>	<u>5.5</u>	<u>5.5</u>	<u>0</u>
Special Education:												
Elementary School												
Middle School												
High School	7	7	0	7	7	0	1	1	0	1	1	0
Subtotal	<u>7</u>	<u>7</u>	<u>0</u>	<u>7</u>	<u>7</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	<u>45.5</u>	<u>45.5</u>	<u>0</u>	<u>45.5</u>	<u>45.5</u>	<u>0</u>	<u>6.5</u>	<u>6.5</u>	<u>0</u>	<u>6.5</u>	<u>6.5</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

Transportation

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors		Reported	Re-Calculated
AIL - Non-Public	4.0	4.0	0.0	4.0	4.0	0.0	Average Mileage - Regular Including Grade PK studen	5.6	5.6
Regular - Public Schools	207.0	207.0	0.0	207.0	207.0	0.0	Average Mileage - Regular Excluding Grade PK studer	5.6	5.6
Regular - Special Education	96.0	96.0	0.0	96.0	96.0	0.0	Average Mileage - Special Ed with Special Needs	12.7	12.7
Transported - Non-Public	161.0	161.0	0.0	161.0	161.0	0.0			
Special Ed Spec	23.0	23.0	0.0	23.0	23.0	0.0			
Totals	<u>491.0</u>	<u>491.0</u>	<u>0.0</u>	<u>491.0</u>	<u>491.0</u>	<u>0.0</u>			
Percentage Error						<u>0.00%</u>			

BOARD OF EDUCATION
SHORE REGIONAL HIGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	LEP NOT Low Income			Sample for Verification		
	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
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine	1	1	0	1	1	0
Ten	2	2	0	2	2	0
Eleven	2	2	0	2	2	0
Twelve	0	0	0	0	0	0
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>5</u>	<u>5</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>0</u>
Special Education:						
Elementary School						
Middle School						
High School	1.5	1.5	0	1.5	1.5	0
Subtotal	<u>1.5</u>	<u>1.5</u>	<u>0</u>	<u>1.5</u>	<u>1.5</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>6.5</u>	<u>6.5</u>	<u>0</u>	<u>6.5</u>	<u>6.5</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**SHORE REGIONAL HIGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
As of June 30, 2020**

Section 1

A. 2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR	\$ 20,351,812
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 2,152,930
Assets Acquired under Capital Leases	711,500
Adjustment for Disallowed Expenditures per S1701	<u> </u>
Adjusted 19-20 General Fund Expenditures	\$ 17,487,382
2% of Adjusted 2019-20 General Fund Expenditures	\$ 349,748
Increased by Allowable Adjustment	<u>295,943</u>
Maximum Unreserved/Undesignated Fund Balance	\$ <u><u>645,691</u></u>

Section 2

Total General Fund Balances @ 06/30/20	\$ 2,162,204
Decreased by:	
Year-end Encumbrances	\$ 153,161
Capital Reserve	620,751
Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures	238,891
Other Restricted Fund Balances	-
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>58,033</u>
Total Unassigned Fund Balance	\$ 1,091,368
Increased by:	
Adjustment for Disallowed Transfers per S1701	<u> </u>
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation	\$ <u><u>1,091,368</u></u>

Section 3

Restricted Fund Balance - Excess Surplus	\$ <u>445,677</u>
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Recapitulation of Excess Surplus as of June 30, 2020

Reserved Excess Surplus -- Designated for Subsequent Year's Expenditures	\$ 238,891
Reserved Excess Surplus	<u>445,677</u>
Total	\$ 684,568

Detail of Allowable Adjustments

Impact Aid	\$
Sale and Lease-back	
Extraordinary Aid	295,943
Additional Non Public School Transportation Aid	
Unbudgeted TPAF Wage Freeze Grant Funding	
Higher Expectations for Learning and Proficiency Aid	<u> </u>
Total Adjustments	\$ 295,943

Detail of Other Restricted Fund Balance

Statutory Restrictions:	
Approved unspent separate proposal	\$
Capital Outlay for a district with a Capital Outlay cap waiver	
Sale/Lease-Back Reserve	
Impact Aid General Fund Reserve	
Maintenance Reserve	
Emergency Reserve	
Tuition Reserve	
Other State/Government Mandated Reserve	<u> </u>
[Other Restricted Fund Balance not noted above]	
Total Other Restricted Fund Balance	\$ <u><u>-</u></u>

Shore Regional High School District
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2020

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

(2020-01): The district should ensure that Form NJ-927 is prepared correctly and any balance due is promptly remitted to the taxing authorities.

(2020-02): The district should ensure that Form NJ-927 is filed in a timely fashion.

(2020-03): Summer pay is subject to Medicare and Social Security taxes and should be withheld from payroll and remitted to the Internal Revenue Service in a timely fashion.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

(2020-04): All requisition forms should be signed and approved by the Principal.

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

Not Applicable