

BOROUGH OF MANASQUAN SCHOOL DISTRICT

AUDITOR'S MANAGEMENT REPORT

COUNTY OF MONMOUTH

JUNE 30, 2016

**ROBERT A. HULSART & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
2807 HURLEY POND ROAD, SUITE 100
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AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Manasquan School District
County of Monmouth, 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 Manasquan School District in the County of Monmouth, for the year ended June 30, 2016 and have issued our report thereon dated November 21, 2016.

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 Manasquan 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 21, 2016

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>
Lynn Coates	Business Administrator/Board Secretary	\$ 250,000
Joanne S. Madden	Treasurer	250,000

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 difference 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, 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.

Employee Position Control Roster

An inquiry and subsequent review of the Position Control Roster found it to be current with the District records 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. 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% 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 found everything in very good order and we have no exceptions to report.

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary and were independently done. All reconciliations were properly done.

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. N.C.L.B. 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 IIA of the Elementary and Secondary Education Act as amended.

The study of compliance for N.C.L.B. 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 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.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report 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 60 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 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.

Lynn Coates 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.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 food services for 2015-16 were awarded to Simplified Culinary Services on their proposal of a management fee of \$21,000 with a guaranteed minimum return of 10,000 to the district.

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

The number of milks claimed for reimbursement was verified against sales and milk count records.

Applications for free and reduced price milk were reviewed for completeness and accuracy. The number of free and reduced price milks 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 milk policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were 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. 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.

School Food Service Fund (Continued)

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

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

Student Body Activities and Athletic Fund

The records of the student activities and athletic fund were found to be in good order, no reportable conditions existed.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 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.

Follow-up on Prior Years' 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 staff.

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures Per the CAFR	\$ 26,243,926
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(2,831,452)</u>
Adjusted 2015-16 General Fund Expenditures	<u>\$ 23,412,474</u>
2% of Adjusted 2015-16 General Fund Expenditures	<u>\$ 468,249</u>
Enter Greater of Above or \$250,000	\$ 468,249
Increased by: Allowable Adjustment	<u>1,566</u>
Maximum Unassigned Fund Balance	<u>\$ 469,815</u>

Section 2

Total General Fund – Fund Balances @ 6-30-16	\$ 2,129,597
Decreased by:	
Reserve for Encumbrances	(8,379)
Designated for Subsequent Year’s Expenditures:	
Tuition Reserve Budgeted Withdrawal	(200,000)
Capital Reserve Withdrawal	(284,542)
Excess Surplus	(258,374)
Other Reserves	<u>(691,749)</u>
Total Unassigned Fund Balance	<u>\$ 686,553</u>
Reserve Fund Balance – Excess Surplus	<u>\$ 216,738</u>

Section 3

Reserved Fund Balance - Excess Surplus Designated for Subsequent Expenditures	\$ 258,374
Excess Surplus	<u>216,738</u>
	<u>\$ 475,112</u>

Detail of Allowable Adjustments

Non-Public Transportation Aid	<u>\$ 1,566</u>
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Detail of Other Restricted Fund Balance

Tuition Reserve	\$ 135,000
Maintenance Reserve	10,000
Emergency Reserve	50,000
Capital Reserve	<u>496,749</u>
Total Other Reserved Fund Balance	<u>\$ 691,749</u>

MANASQUAN SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 Application for State School Aid (10-15-15 Data)						Sample for Verification						Private Schools for Disabled			
	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			
Full Day Pre K - 3yr	1		1					1		1						
Full Day Pre K - 4yr	8		8					8		8						
Full Day Kindergarten	43		43					43		43						
One	54		54					54		54						
Two	66		66					66		66						
Three	52		52					52		52						
Four	62		62					62		62						
Five	57		57					57		57						
Six	72		72					72		72						
Seven	71		71					71		71						
Eight	61		61					61		61						
Nine	168		168					168		168						
Ten	204		204					204		204						
Eleven	219	2	219	2				219	2	219	2					
Twelve	191	5	191	5				191	5	191	5					
Subtotal	1329	7	1329	7	0	0	1329	7	1329	7	0	0	0	0	0	0
Special Ed. - Elementary	47		47					47		47			1	1	1	
Special Ed. - Middle School	38		38					38		38			3	3	3	
Special Ed. - High School	141	30	141	30				141	30	141	30		6	6	6	
Subtotal	226	30	226	30	0	0	226	30	226	30	0	0	10	10	10	0
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	1555	37	1555	37	0	0	1555	37	1555	37	0	0	10	10	10	0
Percentage Error					0%	0%					0%	0%				0%

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Sample</u>	<u>Verified to</u>	<u>Sample</u>	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Sample</u>	<u>Verified to</u>	<u>Sample</u>
	<u>A.S.S.A. as</u>	<u>Workpapers</u>		<u>Selected from</u>	<u>Application</u>		<u>ASSA as</u>	<u>Workpapers</u>		<u>Selected from</u>	<u>Test Score</u>	
<u>Low Income</u>	<u>as Low Income</u>	<u>Workpapers</u>	<u>and Register</u>	<u>Errors</u>	<u>Low Income</u>	<u>Low Income</u>	<u>Workpapers</u>	<u>and Register</u>	<u>Errors</u>	<u>Workpapers</u>	<u>and Register</u>	<u>Errors</u>
Full Day Kindergarten	9	9		5	5							
One	7	7		5	5		1	1		1	1	
Two	13	13		7	7							
Three	10	10		4	4							
Four	7	7		3	3							
Five	13	13		8	8							
Six	6	6		2	2							
Seven	11	11		6	6							
Eight	8	8		3	3							
Nine	25	25		18	18							
Ten	24	24		16	16		1	1		1	1	
Eleven	24.5	24.5		14	14		1	1		1	1	
Twelve	20.5	20.5		11	11							
Subtotal	178.0	178.0	0	102	102	0	3	3	0	3	3	0
Special Ed. - Elementary	17	17		11	11		1	1		1	1	
Special Ed. - Middle School	9	9		4	4							
Special Ed. - High School	37.5	37.5		21	21							
Subtotal	63.5	63.5	0	36	36	0	1	1	0	1	1	0
Totals	241.5	241.5	0	138	138	0	4	4	0	4	4	0
Percentage Error			0%			0%			0%			0%

	<u>Transportation</u>					
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
<u>DRTRS by</u>	<u>DRTRS by</u>					
<u>DOE/County</u>	<u>District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>	<u>Errors</u>
Reg. - Public Schools, col. 1	-	-		-	-	
Reg. Special Education, col. 4	-	-		-	-	
Transported - Non-Public, col. 3	47	47		47	47	
Special Education Spec., col. 6	12	12		12	12	
Totals	59	59	0	59	59	0
Percentage Error			0%			0%

	<u>Reported</u>	<u>Recalculated</u>
Avg. Mileage - Regular Including Grade PK Students	9.7	9.7
Avg. Mileage - Special Ed. With Special Needs	11.5	11.5

MANASQUAN SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Resident LEP - Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Sample</u>	<u>Verified to</u>	<u>Sample</u>
	<u>ASSA as</u>	<u>Workpapers</u>		<u>Selected from</u>	<u>Test Score</u>	
<u>Low Income</u>	<u>as LEP Not</u>	<u>Low Income</u>	<u>Workpapers</u>	<u>and Register</u>	<u>Errors</u>	
Full Day Kindergarten	5	5		5	5	
One	4	4		4	4	
Two	2	2		2	2	
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven	1	1		1	1	
Twelve	1	1		1	1	
Subtotal	<u>13</u>	<u>13</u>	<u>0</u>	<u>13</u>	<u>13</u>	<u>0</u>
Special Ed. - Elementary	5	5		5	5	
Special Ed. - Middle School						
Special Ed. - High School	1.5	1.5		1.5	1.5	
Subtotal	<u>6.5</u>	<u>6.5</u>	<u>0</u>	<u>6.5</u>	<u>6.5</u>	<u>0</u>
Totals	<u>19.5</u>	<u>19.5</u>	<u>0</u>	<u>19.5</u>	<u>19.5</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

SCHEDULE OF MEAL COUNT ACTIVITY

MANASQUAN SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	41,502	21,000	21,000	-	\$ 0.330 *	-
	Reduced	3,466	2,000	2,000	-	2.725	-
	Free	19,389	10,000	10,000	-	3.125	-
Total Net Overclaim		<u>64,357</u>	<u>33,000</u>	<u>33,000</u>	<u>-</u>		<u>-</u>

* - \$.06 for Federal HHFKA Lunch - Healthy Hunger-Free Kids Act

MANASQUAN 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, 2016**

<u>Net Cash Resources:</u>		Food Service G - 1/2
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ 56,968
G-1	Accounts Receivables	19,359
	Current Liabilities	
G-1	Less Accounts Payable	<u>-</u>
	Net Cash Resources	<u><u>\$ 76,327 (A)</u></u>
 <u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	704,194
G-2	Less Depreciation	<u>(20,590)</u>
	Adjusted Total Operating Expenses	<u><u>683,604 (B)</u></u>
 <u>Average Monthly Operating Expense:</u>		
	B / 10	<u><u>\$ 68,360 (C)</u></u>
 <u>Three Times Monthly Average</u>		
	3 X C	<u><u>\$ 205,081</u></u>
Total in (A)		\$ 76,327
Less Total in (D)		<u>(205,081)</u>
Net		<u><u>\$ (128,754)</u></u>