

BOROUGH OF MANASQUAN SCHOOL DISTRICT

AUDITOR'S MANAGEMENT REPORT

COUNTY OF MONMOUTH

JUNE 30, 2017

**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

1.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017 and have issued our report thereon dated November 14, 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 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 14, 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>
Lynn Coates	Business Administrator/Board Secretary	\$ 250,000
Joanne S. Madden	Treasurer (To 7-31-16)	250,000
Patricia A. Christopher	Treasurer (From 8-1-16)	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 2016-17 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 2016-2017 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

2016-17 Total General Fund Expenditures Per the CAFR	\$ 27,786,562
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(3,192,009)</u>
Adjusted 2016-17 General Fund Expenditures	<u>\$ 24,594,553</u>
2% of Adjusted 2016-17 General Fund Expenditures	\$ 491,891
Increased by: Allowable Adjustment	<u>0</u>
Maximum Unassigned Fund Balance	<u>\$ 491,891</u>

Section 2

Total General Fund – Fund Balances @ 6-30-17	\$ 1,527,166
Decreased by:	
Other Reserves	(554,816)
Assigned Fund Balance:	
Designated for Subsequent Years Expenditures	(216,738)
Tuition Reserve - Designated for Subsequent Years Expenditures	(135,000)
Capital Reserve - Designated for Subsequent Years Expenditures	(2,361)
Designated Fund Balance - Encumbrances	<u>(13,661)</u>
Total Unassigned Fund Balance	<u>\$ 604,590</u>
Reserve Fund Balance – Excess Surplus	<u>\$ 112,699</u>

Section 3

Reserved Excess Surplus - Designated for Subsequent Expenditures	\$ 216,738
Reserved Fund Balance Excess Surplus 2016-2017	<u>112,699</u>
	<u>\$ 329,437</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 0
Non-Public Transportation Aid	<u>0</u>
	<u>\$ 0</u>

Detail of Other Restricted Fund Balance

Capital Reserve	\$ 494,816
Emergency Reserve	50,000
Maintenance Reserve	<u>10,000</u>
Total Other Reserved Fund Balance	<u>\$ 554,816</u>

MANASQUAN SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2016

	<u>2017-2018 Application for State School Aid (10-15-16 Data)</u>						<u>Sample for Verification</u>						<u>Private Schools for Disabled</u>			
	<u>Reported On</u>		<u>Reported on</u>		<u>Errors</u>		<u>Sample Selected</u>		<u>Verified Per</u>		<u>Errors Per Registers</u>		<u>Reported On</u>	<u>Sample for</u>	<u>Sample</u>	<u>Sample</u>
	<u>A.S.S.A. on Roll</u>	<u>Workpapers on Roll</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>Full</u>	<u>Shared</u>	<u>A.S.S.A. as</u>	<u>Verification</u>	<u>Verified</u>	<u>Errors</u>
Full Day Pre K - 3yr	6		6				6		6							
Full Day Pre K - 4yr	6		6				6		6							
Full Day Kindergarten	43		43				43		43							
One	51		51				51		51							
Two	54		54				54		54							
Three	63		63				63		63							
Four	50		50				50		50							
Five	62		62				62		62							
Six	60		60				60		60							
Seven	73		73				73		73							
Eight	73		73				73		73							
Nine	178		178				178		178							
Ten	179		179				179		179							
Eleven	197	5	197	5			197	5	197	5						
Twelve	209		209				209		209							
Subtotal	<u>1304</u>	<u>5</u>	<u>1304</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>1304</u>	<u>5</u>	<u>1304</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary	61		61				61		61							
Special Ed. - Middle School	29		29				29		29			3	3	3		
Special Ed. - High School	148	31	148	31			148	31	148	31		5	5	5		
Subtotal	<u>238</u>	<u>31</u>	<u>238</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>238</u>	<u>31</u>	<u>238</u>	<u>31</u>	<u>0</u>	<u>0</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>1542</u>	<u>36</u>	<u>1542</u>	<u>36</u>	<u>0</u>	<u>0</u>	<u>1542</u>	<u>36</u>	<u>1542</u>	<u>36</u>	<u>0</u>	<u>0</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>0</u>
Percentage Error					<u>0%</u>	<u>0%</u>					<u>0%</u>	<u>0%</u>				<u>0%</u>

MANASQUAN SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2016

	<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>Workpapers</u>	<u>and Register</u>	<u>Low Income</u>	<u>as LEP Not</u>	<u>Low Income</u>	<u>and Register</u>	<u>Workpapers</u>	<u>and Register</u>	<u>Errors</u>	
Full Day Kindergarten	7	7		5	5							
One	8	8		7	7							
Two	5	5		4	4		1	1		1	1	
Three	11	11		9	9							
Four	9	9		6	6							
Five	3	3		3	3							
Six	11	11		8	8							
Seven	6	6		5	5		1	1		1	1	
Eight	9	9		4	4							
Nine	31	31		13	13		2	2		2	2	
Ten	21	21		16	16							
Eleven	18	18		14	14		1	1		1	1	
Twelve	19	19		14	14							
Subtotal	<u>158.0</u>	<u>158.0</u>	<u>0</u>	<u>108</u>	<u>108</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>0</u>
Special Ed. - Elementary	18	18		10	10		1	1		1	1	
Special Ed. - Middle School	7	7		4	4							
Special Ed. - High School	32	32		8	8							
Subtotal	<u>57</u>	<u>57</u>	<u>0</u>	<u>22</u>	<u>22</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>215</u>	<u>215</u>	<u>0</u>	<u>130</u>	<u>130</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>			<u>0%</u>			<u>0%</u>

	<u>Transportation</u>							
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>	<u>Reported</u>	<u>Recalculated</u>
<u>DRTRS by</u>	<u>DRTRS by</u>	<u>DOE/County</u>					<u>District</u>	<u>Avg. Mileage - Regular including Grade PK Students</u>
Reg. - Public Schools, col. 1	-	-		-	-		9.2	9.2
Reg. Special Education, col. 4	-	-		-	-		11.5	11.5
Transported - Non-Public, col. 3	44	44		44	44			
Special Education Spec., col. 6	9	9		9	9			
Totals	<u>53</u>	<u>53</u>	<u>0</u>	<u>53</u>	<u>53</u>	<u>0</u>		
Percentage Error			<u>0%</u>			<u>0%</u>		

MANASQUAN SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 3 of 3

ENROLLMENT AS OF OCTOBER 15, 2016

	<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>LEP</u>	<u>as LEP Not</u>	<u>Low Income</u>	<u>Workpapers</u>	<u>and Register</u>	<u>Errors</u>	
<u>Low Income</u>	<u>Low Income</u>					
Full Day Kindergarten	4	4		4	4	
One	4	4		4	4	
Two	2	2		2	2	
Three	2	2		2	2	
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten	1	1		1	1	
Eleven						
Twelve						
Subtotal	<u>13</u>	<u>13</u>	<u>0</u>	<u>13</u>	<u>13</u>	<u>0</u>
Special Ed. - Elementary	7	7		7	7	
Special Ed. - Middle School						
Special Ed. - High School	0.5	0.5		0.5	0.5	
Subtotal	<u>7.5</u>	<u>7.5</u>	<u>0</u>	<u>7.5</u>	<u>7.5</u>	<u>0</u>
Totals	<u>20.5</u>	<u>20.5</u>	<u>0</u>	<u>20.5</u>	<u>20.5</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, 2017

<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	39,745	39,745	39,745	-	\$ 0.340 *	-
	Reduced	3,924	3,924	3,924	-	2.815	-
	Free	<u>17,700</u>	<u>17,700</u>	<u>17,700</u>	<u>-</u>	3.215	<u>-</u>
Total Net Overclaim		<u>61,369</u>	<u>61,369</u>	<u>61,369</u>	<u>-</u>		<u>-</u>

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

MANASQUAN SCHOOL DISTRICTNET CASH RESOURCE SCHEDULENET CASH RESOURCES DID NOT EXCEED 3 MONTHS OF EXPENDITURESPROPRIETARY FUNDS - FOOD SERVICEFOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Net Cash Resources:</u>		<u>Food Service</u> <u>G - 1/2</u>
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ 23,814
G-1	Accounts Receivables	54,581
	Current Liabilities	
G-1	Less Accounts Payable	-
	Net Cash Resources	<u>\$ 78,395 (A)</u>
 <u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	699,435
G-2	Less Depreciation	<u>(19,271)</u>
	Adjusted Total Operating Expenses	<u>680,164 (B)</u>
 <u>Average Monthly Operating Expense:</u>		
	B / 10	<u>\$ 68,016 (C)</u>
 <u>Three Times Monthly Average</u>		
	3 X C	<u>\$ 204,049</u>
Total in (A)		\$ 78,395
Less Total in (D)		<u>(204,049)</u>
Net		<u>\$ (125,654)</u>