

**Atlantic Highlands Board of Education**

**Auditor's Management Report**

**County of Monmouth**

**June 30, 2015**

**Robert A. Hulsart & Company  
Certified Public Accountants  
2807 Hurley Pond Road, Suite 100  
Wall, New Jersey 07719**

**ATLANTIC HIGHLANDS BOARD OF EDUCATION**  
**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS**  
**FINANCIAL, COMPLIANCE AND PERFORMANCE**

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# Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)  
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## REPORT OF INDEPENDENT AUDITORS

Honorable President and Members  
of the Board of Education  
Atlantic Highlands 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 Atlantic Highlands School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 3, 2015.

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 Atlantic Highlands 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.

**ROBERT A. HULSART AND COMPANY**

Licensed Public School Accountant  
No. 322

December 3, 2015

## 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 Monies, 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 Exhibit J-20, Insurance Schedule contained in district's CAFR.

#### Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Janet G. Sherlock	Board Secretary/School Business Administrator/Treasurer	\$ 175,000

#### 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 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 Net 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 Board in the bill lists in the minute records and were certified by the Board Secretary/School Business Administrator and the Superintendent.

Salary withholdings were promptly remitted to the proper agencies.

### **Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered as of June 30. No exceptions were noted.

### **Board Secretary's Records**

Our review of the financial and accounting records maintained by the Board Secretary disclosed no reportable conditions. The records of the Board Secretary were maintained in a satisfactory manner.

The Board Secretary's records were compared to the Treasurer's records and they were in agreement for the period July 1, 2014 to June 30, 2015.

### **Treasurer's Records**

The Treasurer's records were in agreement with the records of the Board Secretary for the period July 1, 2014 until June 30, 2015.

The Treasurer's cash balances for all accounts were in agreement with the reconciled cash balance as determined during the audit for the above period.

### **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.

### **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. 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 Title IIA.

The study of compliance for E.S.E.A. 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 the special projects indicated no areas of noncompliance.

### **T.P.A.F. Reimbursement**

Our audit procedures included a test of the semi-monthly 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**

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

“a. Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of which, together with any other sums expended or foreseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds, does not exceed the total sum of \$7,500.00 or the amount determined pursuant to subsection b. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made, negotiated and awarded by a contracting agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefor.

b. Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection a. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and the Philadelphia areas as reported by the United States Department of Labor. The Governor shall notify all local school districts of the adjustment. The adjustment shall become effective on July 1 of the year in which it is reported.”

N.J.S.A. 18A:18A-4 states, “Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the Board of Education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3, except by contract or agreement.”

## **School Purchasing Programs (Continued)**

### **Contracts and Agreements Requiring Advertisement for Bids (Continued)**

Effective July 1, 2010 the bid thresholds in accordance with N.J.S.A. 18A:18A-3 and 18A:39-2 is \$26,000 and \$15,000 respectively (up to \$36,000 if the district has approved a qualified purchasing agent). Effective July 1, 2010 the quote threshold increased to 15% of the bid threshold.

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 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.

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

### **School Food Service Fund**

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to 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 policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completeness and availability.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records and 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. No exceptions were noted.

### **School Food Service Fund (Continued)**

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

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

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2014 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 on the A.S.S.A. was compared to the district workpapers. 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.

### **Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2014-2015 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 a review of the EDA grant agreement for consistency with recording EDA 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.

### **Follow-Up on Prior Year's Findings**

There were no 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 staff.

**2% Calculation of Excess Surplus**

2014-15 Total General Fund Expenditures Per the CAFR	\$ 5,298,628
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(559,931)</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 4,738,697</u>
2% of Adjusted 2014-15 General Fund Expenditures	<u>\$ 94,774</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>7,186</u>
Maximum Unassigned Fund Balance	<u>\$ 257,186</u>

**Section 2**

Total General Fund – Fund Balance @ 6-30-15	\$ 910,297
Decreased by:	
Designated for Subsequent Years Expenditures – Excess Surplus	(241,113)
Designated for Subsequent Years Expenditures	(8,092)
Other Reserves	<u>(250,094)</u>
Total Unassigned Fund Balance	<u>\$ 410,998</u>
Reserved Fund Balance – Excess Surplus	<u>\$ 153,812</u>

**Section 3**

Designated for Subsequent Years Expenditures - Excess Surplus	\$ 241,113
Reserved Fund Balance – Excess Surplus	<u>153,812</u>
	<u>\$ 394,925</u>

**Detail of Allowable Adjustments**

Extraordinary Aid	\$ 2,836
Non-Public Transportation	<u>4,350</u>
Total Detail of Allowable Adjustments	<u>\$ 7,186</u>

**Detail of Other Restricted Fund Balance**

Maintenance Reserve	\$ 147,894
Emergency Reserve	2,200
Capital Reserve	<u>100,000</u>
Total Other Reserved Fund Balance	<u>\$ 250,094</u>

**ATLANTIC HIGHLANDS SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

Sheet 1 of 2

**ENROLLMENT AS OF OCTOBER 15, 2014**

	2015-16 Application for State School Aid						Sample for Verification						Private Schools for Handicapped			
	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			
Half Day Preschool - 3yrs.	4		4				4		4							
Full Day Preschool - 3yrs.	12		12				12		12							
Half Day Preschool - 4yrs.	4		4				4		4							
Full Day Preschool - 4yrs.	19		19				19		19							
Full Day Kindergarten	34		34				34		34							
One	29		29				29		29							
Two	36		36				36		36							
Three	45		45				45		45							
Four	29		29				29		29							
Five	33		33				33		33							
Six	33		33				33		33							
Subtotal	<u>278</u>	<u>0</u>	<u>278</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>278</u>	<u>0</u>	<u>278</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed - Elementary	32		32				32		32							
Special Ed - Middle School	6		6				6		6			1	1	1		
Special Ed - High School																
Subtotal	<u>38</u>	<u>0</u>	<u>38</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38</u>	<u>0</u>	<u>38</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>316</u>	<u>0</u>	<u>316</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>316</u>	<u>0</u>	<u>316</u>	<u>0</u>	<u>-</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>
Percentage Error					0%	0%					0%	0%				0%

ATLANTIC HIGHLANDS SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	<u>Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as 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 Kindergarten	2	2		2	2	
One	3	3		3	3	
Two	4	4		4	4	
Three	4	4		4	4	
Four	1	1		1	1	
Five	3	3		3	3	
Six	6	6		6	6	
Subtotal	<u>23</u>	<u>23</u>	<u>0</u>	<u>23</u>	<u>23</u>	<u>0</u>
Special Ed - Elementary	8	8		8	8	
Special Ed - Middle	1	1		1	1	
Subtotal	<u>9</u>	<u>9</u>	<u>0</u>	<u>9</u>	<u>9</u>	<u>0</u>
Totals	<u>32</u>	<u>32</u>	<u>0</u>	<u>32</u>	<u>32</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

LEP STUDENTS-LOW INCOME

	<u>Reported on ASSA as LEP Low Income</u>	<u>Reported on Workpapers as LEP Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
	One	1	1		1	1
Three	1	1		1	1	
Five	1	1		1	1	
Special Ed - Elementary	1	1		1	1	
Totals	<u>4</u>	<u>4</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

TRANSPORTATION

	<u>Reported on DRTRS by DOE</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
	Reg. - Public Schools					
Transported - Non-Public	3	3		3	3	
Special Needs - Public	1	1		1	1	
Totals	<u>4</u>	<u>4</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>
Percentage Error						<u>0%</u>

	<u>Reported</u>	<u>Recalculated</u>
Avg. Mileage - Regular Including Grade PK Students	7.3	7.3
Avg. Mileage - Regular Excluding Grade PK Students	7.3	7.3
Avg. Mileage - Special Ed. With Special Needs	13.7	13.7