

Auditor's Management Report

for the

*Colts Neck Township
School District*

in the

*County of Monmouth
New Jersey*

for the

*Fiscal Year Ended
June 30, 2015*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS-FINANCIAL AND COMPLIANCE**

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

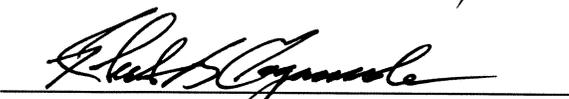
Honorable President and Members
of the Board of Education
Township of Colts Neck School District
County of Monmouth
Colts Neck, New Jersey 07722

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Township of Colts Neck School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report dated December 2, 2015.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Township of Colts Neck School District, County of Monmouth, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 93

December 2, 2015

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

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 Township of Colts Neck Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance (N.J.S.A. 18A:17-26, 18A: 17-32)

Insurance coverage was carried in the amounts as detailed in the District's CAFR (See Exhibit "J-20").

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
John Antonides	Treasurer of School Monies	\$250,000.00
Vincent S. Marasco	Board Secretary/School Business Administrator	\$250,000.00
Blanket Bond	All Employees	\$500,000.00

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

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 gross salaries of all employees of the Board and the Board's required payroll contributions were deposited in the Payroll 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.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Reserve for Encumbrances, Liability (Current) for Accounts Payable

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C.6A:23-2.2(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 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The records maintained by the Board Secretary were in satisfactory condition.

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and independently maintained from the Board Secretary/Board Administrator.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

**Elementary and Secondary Education Act/Improving America's Schools Act (IASA) as
Reauthorized by the No Child Left Behind Act of 2001**

The E.S.E.A./NCLB 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 II of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and 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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts was used. No exceptions were noted.

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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

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

"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 \$26,000.00, 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 therefor, 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 \$36,000.00. 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.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. 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. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A.18A:18A-4 states, "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 therefor, except as is provided otherwise in this chapter or specifically by any other law.

The Board of Education may, by resolution, approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective January 1, 2010, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$26,000.00. In accordance with N.J.S.A. 40A:11-9 (b) and authorized by a resolution dated May 2, 2012 of the Board of Education, the bid threshold for all purchases made by the District's qualified purchasing agent is \$36,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,300.00.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

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.

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.

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal however, that the district made purchases through the use of state contracts.

FOOD SERVICE FUND

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. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit without exception.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were properly computed and timely filed. Meals claimed agreed with the meal count records tested. No exceptions were noted.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

FOOD SERVICE FUND (CONTINUED)

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 priced meal policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions were noted.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Service employees. No exceptions were noted.

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.

The District utilizes a food service management company 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/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Food Distribution Program commodities were received and an inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in Section G of the CAFR.

STUDENT BODY ACTIVITIES

The records for the Student Body Activities were maintained in satisfactory condition.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

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 that was included on the workpapers was verified without exception. 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 procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on roll status reported in the 2014-15 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.

CAPITAL ASSETS AND FACILITIES

The Capital Assets Inventory was maintained in satisfactory condition.

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

RECOMMENDATIONS

NONE

COLTS NECK SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	2015-16 Application for State School Aid (10/15/14 data)						Sample for Verification						Private School for Disabled												
	Reported as 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 Verification		Sample Errors			
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared	Sample	Errors	Sample	Errors	
Half Day Preschool 3 years old	4			4						2			2												
Full Day Preschool 3 years old																									
Half Day Preschool 4 years old	5			5						3			3												
Full Day Preschool 4 years old																									
Half Day Kindergarten	74			74						14			14												
Full Day Kindergarten	72			72						12			12												
One	75			75						15			15												
Two	86			86						18			18												
Three	85			85						18			18												
Four	99			99						23			23												
Five	96			96						22			22												
Six	109			109						35			35												
Seven	103			103						33			33												
Eight	808			808						195			195												
Subtotal																									
Sp. Ed. - Elementary	80			80						22			22								2		2		2
Sp. Ed. - Middle School	59			59						15			15								2		2		2
Subtotal	139			139						37			37								4		4		4
Co. Voc. - Regular																									
Co. Voc. Ft. Post Sec.																									
Totals	947			947						232			232								4		4		4
Percentage Error																									0%

**COLTS NECK SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.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.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 4 years old	1	1		1	1		1	1		1	1	
Full Day Kindergarten	1	1		1	1							
One	2	2		2	2		3	3		3	3	
Two	5	5		5	5							
Three	1	1		1	1		1	1		1	1	
Four	3	3		3	3							
Five	4	4		4	4		2	2		2	2	
Six	2	2		2	2		7	7		7	7	
Seven	5	5		5	5							
Eight	24	24		20	20							
Subtotal												
Special Ed - Elementary	5	5		4	4		1	1		1	1	
Special Ed - Middle	8	8		8	8		5	5		4	4	
Subtotal	13	13		12	12		6	6		5	5	
Totals	37	37		32	32		13	13		11	11	
Percentage Error			0%									0%

Transportation

	Transportation			Transportation		
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 2	566	566		170	170	
Reg -SpEd, col. 8	130	130		23	23	
Transported - Non-Public, col. 6	228	228		34	34	
Special Ed Spec, col. 7	19	19		5	5	
Totals	943	943		232	232	
Percentage Error			0%			

Avg. Mileage - Regular Including Grade PK students
Avg. Mileage - Regular Excluding Grade PK students
Avg. Mileage - Special Ed with Special Needs

Reported	4.44	4.44	4.5
Re-Calculated	4.44	4.44	4.5

**COLTS NECK SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.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 4 years old						
Full Day Kindergarten						
One						
Two						
Three	1	1		1	1	
Four						
Five						
Six						
Seven	2	2		1	1	
Eight	1	1		1	1	
Subtotal	4	4		3	3	
Special Ed - Elementary	1	1		1	1	
Special Ed - Middle						
Special Ed - High						
Subtotal	1	1		1	1	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	5	5		4	4	
Percentage Error			0%			0%

**TOWNSHIP OF COLTS NECK SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1

General Fund Expenditures:		
Fiscal Year Ended June 30, 2015		23,186,807.18
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		751,980.00
		23,938,787
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$2,085,224.55	
		2,085,224.55
Adjusted General Fund Expenditures		21,853,562.63
Excess Surplus Percentage		2.00%
Subtotal		437,071.25
Increased by:		
Federal Impact Aid	\$680,686.00	
Extraordinary Aid (Unbudgeted)	208,757.00	
Non-Public Transportation Aid (Unbudgeted)	12,125.00	
		901,568.00
Maximum Unassigned Fund Balance		1,338,639.25

SECTION 2

Total General Fund Balance		\$5,129,863.50
Decreased by:		
Assigned:		
Year End Encumbrances	\$70,273.30	
Designated for Subsequent Year's Expenditures	600,000.05	
Legally Restricted:		
Excess Surplus-Designated for Subsequent Year's Expenditures	281,534.95	
Maintenance Reserve	174,475.00	
Capital Reserve	1,958,579.49	
Emergency Reserve	93,000.00	
		3,177,862.79
Total Unassigned Fund Balance		1,952,000.71
Restricted Fund Balance-Excess Surplus		\$613,361.46

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2015		
Restricted Excess Surplus-Designated for Subsequent Years Expenditures		\$281,534.95
Restricted Excess Surplus		613,361.46
Total		894,896.41

**TOWNSHIP OF COLTS NECK SCHOOL DISTRICT
NET CASH RESOURCE SCHEDULE - FOOD SERVICE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A School Food Authority is required to maintain a nonprofit School Food Service. The nonprofit status of the School Food Service is determined by evaluating net cash resources. Net cash resources may not exceed three months average expenditures.

As illustrated in the schedule below, the Districts Net Cash Resources (\$41,104.16) do not exceed three months average expenditures (\$109,458.73).

<u>Net Cash Resources:</u>		Food Service B - 4/5
CAFR	Current Assets*	
B-4	Cash & Cash Equivalents	\$33,919.81
B-4	Accounts Receivable	41,813.15
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(26,426.99)
B-4	Less Unearned Revenue	(8,201.81)
		<hr/>
	Net Cash Resources	<u>\$41,104.16</u> (A)
<u>Net Adj. Total Operating Expense:</u>		
B-5	Tot. Operating Exp.	\$365,746.35
B-5	Less Depreciation	(883.91)
		<hr/>
	Adj. Tot. Oper. Exp.	<u>\$364,862.44</u> (B)
<u>Average Monthly Operating Expense:</u>		
	B / 10	<u>\$36,486.24</u> (C)
<u>Three times monthly Average:</u>		
	3 X C	<u>\$109,458.73</u> (D)

TOTAL IN BOX A	\$41,104.16	
LESS TOTAL IN BOX D	(\$109,458.73)	
NET	<u>(\$68,354.57)</u>	<<--- Excess
A is greater than D, cash exceeds 3 X average monthly operating expenses.		
D is greater than A, cash does not exceed 3 X average monthly operating expenses.		

* Inventories are not to be included in total current assets.

