

WEST LONG BRANCH 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**

AUDITORS 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)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
West Long Branch 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 West Long Branch School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 18, 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 West Long Branch 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

December 18, 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>
Dennis W. Kotch	Board Secretary/School Business Administrator	\$ 250,000
George E. Stone	Treasurer of School Monies	250,000

There is a Public Employees' Dishonesty with Faithful Performance Agreement with NJSBA Insurance Group covering all other employees with multiple coverage of \$25,000, subject to a \$500 per occurrence.

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 showed the records to be in good order.

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 transaction 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./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 Title IIA of the E.S.E.A., and IDEA Basic and Preschool.

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:

Effective July 1, 2010 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 \$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 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 \$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. Effective July 1, 2010, the quotation threshold was increased to \$3,900 and \$5,400, respectively.

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 April 17, 2000 and thereafter the bid threshold in accordance with N.J.S.A. Transportation 18A:39-3 remains at \$17,200.00.

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.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 except for as follows:

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 verified against 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.

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 B-4 – B-6 of the CAFR.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 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 without exception. 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 districts written procedures appear to be adequate for the recording of student enrollment data.

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.

Student Activity Accounts

During our review of the student activity funds, all records were found to be in good order with the following exceptions:

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	\$ 10,925,980
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Decreased by:

On-Behalf TPAF Pension & Social Security	<u>910,273</u>
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Adjusted 2014-15 General Fund Expenditures	<u>\$ 10,015,707</u>
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2% of Adjusted 2014-15 General Fund Expenditures	<u>\$ 200,314</u>
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Enter Above or \$250,000 Whichever is Greater	\$ 250,000
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Increased by: Allowable Adjustment	<u>61,345</u>
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Maximum Unassigned Fund Balance	<u>\$ 311,345</u>
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Section 2

Total General Fund – Fund Balance @ 6-30-15	\$ 2,287,926
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Decreased by:

Other Reserves	(474,319)
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Reserve for Encumbrances	(246,864)
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Assigned Fund Balance – Unreserved - Designated for Subsequent Years Expenditures – Excess Surplus	(640,832)
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Assigned Fund Balance – Unreserved - Designated for Subsequent Years Expenditures	<u>(100,712)</u>
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Total Unassigned Fund Balance	<u>\$ 825,199</u>
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Section 3

Reserved Excess Surplus – Current Year	\$ 513,854
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Excess Surplus – Designated For Subsequent Years Expenditures	<u>640,832</u>
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	<u>\$ 1,154,686</u>
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Detail of Allowable Adjustments

Extraordinary Aid	\$ 58,323
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Non Public Transportation	<u>3,022</u>
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	<u>\$ 61,345</u>
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Reserves

Capital Reserve	\$ 302,455
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Emergency Reserve	100,796
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Maintenance Reserve	<u>71,068</u>
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Total Other Restricted/Reserved Fund Balance	<u>\$ 474,319</u>
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WEST LONG BRANCH SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2014

	2015-16 Application for State School Aid						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	Verification	Verified	Errors
Half Day Preschool - 3yrs																
Half Day Preschool - 4yrs	11		11					11		11						
Full Day Kindergarten	40		40					40		40						
One	48		48					48		48						
Two	55		55					55		55						
Three	54		54					54		54						
Four	51		51					51		51						
Five	53		53					53		53						
Six	47		47					47		47						
Seven	71		71					71		71						
Eight	59		59					59		59						
Subtotal	<u>489</u>	<u>0</u>	<u>489</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>489</u>	<u>0</u>	<u>489</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	55		55					55		55			2	2	2	
Special Ed - Middle	35		35					35		35			2	2	2	
Special Ed - High School																
Subtotal	<u>90</u>	<u>0</u>	<u>90</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>90</u>	<u>0</u>	<u>90</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>579</u>	<u>0</u>	<u>579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>579</u>	<u>0</u>	<u>579</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>0</u>
Percentage Error					0.0%	0%										0%

WEST LONG BRANCH SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

LOW INCOME STUDENTS

	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
Half Day Preschool						
Full Day Kindergarten	4	4		4	4	
One	7	7		7	7	
Two	5	5		5	5	
Three	9	9		8	8	
Four	7	7		5	5	
Five	6	6		3	3	
Six	6	6		5	5	
Seven	12	12		9	9	
Eight	5	5		3	3	
Special Ed. - Elementary School	7	7		5	5	
Special Ed. - Middle School	2	2		1	1	
total	70	70	0	55	55	0
Percentage Error			<u>0%</u>			<u>0%</u>

LEP STUDENTS

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A. as LEP	Reported on Workpapers as LEP	Errors	Sample Selected From Workpapers	Verified to Test Score & Register	Sample Errors
Full Day Kindergarten	1	1		1	1	
One	1	1		1	1	
Two	1	1		1	1	
Three	2	2		2	2	
Four	1	1		1	1	
Five	2	2		2	2	
Seven	1	1		1	1	
Eight	1	1		1	1	
Special Ed - Elementary	1	1		1	1	
total	11	11	0	11	11	0
Percentage Error			<u>0%</u>			<u>0%</u>

WEST LONG BRANCH SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

LEP STUDENTS

	Resident LEP - Low Income			Sample for Verification		
	Reported on A.S.S.A. as LEP	Reported on Workpapers as LEP	Errors	Sample Selected From Workpapers	Verified to Test Score & Register	Sample Errors
Seven	1	1		1	1	
Total	1	1	0	1	1	0
Percentage Error			0%			0%

TRANSPORTATION

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools						
Transported - Non-Public	82	82		82	82	
Special Education - Out of District	1	1		1	1	
Special Needs - Public & Private						
Totals	83	83	0	83	83	0
Percentage Error			0%			0%

	Reported	Recalculated
Avg. Mileage - Regular Including Grade PK Students	3.45	3.45
Avg. Mileage - Regular Excluding Grade PK Students	3.45	3.45
Avg. Mileage - Special Ed. With Special Needs	3.20	3.20