

***MONMOUTH REGIONAL HIGH
SCHOOL DISTRICT
AUDITORS MANAGEMENT REPORT
FISCAL YEAR ENDED JUNE 30, 2013***

MONMOUTH REGIONAL HIGH SCHOOL DISTRICT

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS FINANCIAL, COMPLIANCE AND PERFORMANCE

	<u>Page No.</u>
Independent Auditors' Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	N/A
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act of 1965, as amended by the Improving America's Schools Act of 1994	3
Other Special Federal and/or State Projects	3
T.P.A.F. Reimbursement	4
DEPA Accounting	4
School Purchasing Programs	
Contracts and Agreements Requirement Advertisement for Bids	4
School Food Service	4-5
Student Body Activities	5
Application for State School Aid	5
Pupil Transportation	5-6
Follow-up on Prior Year Findings	6
Acknowledgment	6
Schedule of Meal Count Activity	7
Schedule of Audited Enrollments	8-10
Excess Surplus Calculation	11

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Monmouth Regional High School District
One Norman J. Field Way
Tinton Falls, New Jersey 07724
County of Monmouth

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Monmouth Regional High School District in the County of Monmouth for the year ended June 30, 2013, and have issued our report thereon dated November 30, 2013.

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 Monmouth Regional High School District Board of Education management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Nicholas A. Cannone
Licensed Public School Accountant
No. CS-02103
Cannone & Company, CPAs

November 30, 2013

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 Moneys, 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

Insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the Statistical Section of the District's CAFR.

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Maria Anne Parry, CPA, PSA	Board Secretary/School Business Administrator	\$300,000
Cindy Barr-Rague	Treasurer	\$300,000

There is a Public Employees' Dishonesty Policy with the Utica National Insurance Company covering all other employees with multiple coverage of \$100,000.

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/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payment.

Reserve for Encumbrances and Accounts Payable

All encumbrances and accounts payable at June 30, 2013 were properly recorded and classified.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(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 selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. 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 Board Secretary's Records were found to be in order.

Treasurer's Records (optional position)

The Treasurer's Records were found to be in order.

Elementary and Secondary Education Act of 1965 (E.S.E.A.), as amended by the Improving America's Schools Act of 1994

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 the projects under Titles I and VI of the Elementary and Secondary Education Act as amended.

The study of compliance for E.S.E.A. did not indicate any 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 did not indicate any areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly 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.

DEPA Accounting

Demonstrably Effective Program Aid (DEPA) was not received and expended by the school district.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with *N.J.S.A. 18A:18A-3* and *18A:39-3* are \$36,000 and \$26,000 respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is currently \$17,500.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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.

Based on the results of my examination, I did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*, amended.

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

School Food Service

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.

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 price meal is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

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 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.

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.

Student Body Activities

During our review of the Student Activity Funds, we did not note any areas of non-compliance.

Application for State School Aid

Our audit procedures included a test of information reported in the October Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. 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. Any errors or exceptions were rectified. 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 written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2012-13 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with exceptions noted. This finding is addressed below:

Finding: There were discrepancies between the DRTRS and the DRTRS Eligibility Summary Report distributed by the County. The number of transported students per both reports should agree.

Recommendation: Differences between the district report and the County DRTRS report should be investigated and resolved.

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 Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all 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 team.

BOARD OF EDUCATION
MONMOUTH REGIONAL HIGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS - FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(MEMORANDUM ONLY)

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Over/ Under Claim</u>
National School Lunch	Paid	21,607	21,607	None	0.26	\$ None
	Reduced	5,802	5,802	None	2.37	None
	Free	<u>23,938</u> <u>51,347</u>	<u>23,938</u> <u>51,347</u>	<u>None</u>	<u>2.77</u>	<u>None</u>
School Breakfast	Paid	1,881	1,881	None	0.27	\$ None
	Reduced	1,019	1,019	None	1.21	None
	Free	<u>9,139</u> <u>12,039</u>	<u>9,139</u> <u>12,039</u>	<u>None</u>	<u>1.51</u>	<u>None</u>
Total Net (Over)/Underclaim		<u>63,386</u>	<u>63,386</u>	<u>None</u>		<u>\$ None</u>

**BOARD OF EDUCATION
MONMOUTH REGIONAL HIGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2012**

	2013-2014 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.A. on Roll		Workpapers On Roll		Errors Full Shared		Sample Selected from Workpapers Full Shared		Verified per Registers On Roll Full Shared		Errors per Registers On Roll Full Shared		Reported on A.S.A. as Private Schools		Sample for Verification	
Half Day Preschool																
Full Day Preschool																
Half Day Kindergarten																
Full Day Kindergarten																
One																
Two																
Three																
Four																
Five																
Six																
Seven																
Eight																
Nine																
Ten																
Eleven																
Twelve																
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	825	18	825	18	0	0	825	18	825	18	0	0	0	0	0	0
Special Education:																
Elementary School																
Middle School																
High School	153	29	153	29			153	29	153	29			26.0	26.0	0	0
Subtotal	153	29	153	29	0	0	153	29	153	29	0	0	26.0	26.0	0	0
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	978	47	978	47	0	0	978	47	978	47	0	0	26.0	26.0	0	0
Percentage Error					0.00%	0.00%					0.00%	0.00%				0.00%

BOARD OF EDUCATION
MONMOUTH REGIONAL HIGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2012

	Low Income			Sample for Verification			LEP 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	Reported on A.S.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												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One												
Two												
Three												
Four												
Five												
Six												
Seven												
Eight												
Nine	48			48			0	48				
Ten	62			62			5	62				
Eleven	40			40			1	40				
Twelve	41.5			41.5			2	41.5				
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	191.5	0	0	191.5	0	0	8	191.5	0	0	0	0
Special Education:												
Elementary School												
Middle School												
High School	52.5	0	0	52.5	0	0	1	52.5				
Subtotal	52.5	0	0	52.5	0	0	1	52.5	0	0	0	0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	244	0	0	244	0	0	9	244	0	0	0	0
Percentage Error			0.00%			0.00%			0.00%			#DIV/0!
Transportation												
	Reported on DTRTS by DOE	Reported on DTRTS by District	Errors	Tested	Verified	Errors	Re-Calculated					
All - Non-Public	125.0	125.0	0.0	125.0	60.0	65.0	Average Mileage - Regular Including Grade PK studen					
Regular - Public Schools	638.0	638.0	0.0	638.0	638.0	0.0	Average Mileage - Regular Excluding Grade PK studer					
Regular - Special Education	0.0	0.0	0.0	0.0	0.0	0.0	Average Mileage - Special Ed with Special Needs					
Transported - Non-Public	295.0	295.0	0.0	295.0	107.0	188.0						
Special Ed Spec	7.0	7.0	0.0	7.0	7.0	0.0						
Totals	1,065.0	1,065.0	0.0	1,065.0	812.0	253.0						
Percentage Error							9					
							23.76%					

BOARD OF EDUCATION
MONMOUTH REGIONAL HIGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2012

	LEP NOT Low Income		Sample for Verification		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool					
Full Day Preschool					
Half Day Kindergarten					
Full Day Kindergarten					
One					
Two					
Three					
Four					
Five					
Six					
Seven					
Eight					
Nine	2	2			
Ten	1	1			
Eleven	1	1			
Twelve	1	1			
Post-Graduate					
Adult H.S. (15+CR.)					
Adult H.S. (1-14 CR.)					
Subtotal	<u>5</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Education:					
Elementary School					
Middle School					
High School	0	0	0	0	
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	<u>5</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error		<u>0.00%</u>			<u>#DIV/0!</u>

**MONMOUTH REGIONAL HIGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
As of June 30, 2013**

Section 1

A. 2% Calculation of Excess Surplus

2012-13 Total General Fund Expenditures per the CAFR	\$ 25,752,601
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 1,952,000
Assets Acquired under Capital Leases	
Adjustment for Disallowed Expenditures per S1701	<u> </u>
Adjusted 12-13 General Fund Expenditures	\$ 23,800,601
2% of Adjusted 2012-13 General Fund Expenditures	\$ 476,012
Increased by Allowable Adjustment	<u>280,810</u>
Maximum Unreserved/Undesignated Fund Balance	\$ <u><u>756,822</u></u>

Section 2

Total General Fund Balances @ 06/30/13	\$ 3,661,506
Decreased by:	
Year-end Encumbrances	\$ 117,784
Capital Reserve	617,875
Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures	882,445
Other Restricted Fund Balances	50,000
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>203,038</u>
Total Unassigned Fund Balance	\$ 1,790,364
Increased by:	
Adjustment for Disallowed Transfers per S1701	<u> </u>
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation	\$ <u><u>1,790,364</u></u>

Section 3

Restricted Fund Balance - Excess Surplus	\$ <u>1,033,542</u>
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Recapitulation of Excess Surplus as of June 30, 2013

Reserved Excess Surplus -- Designated for Subsequent Year's Expenditures	\$ 882,445
Reserved Excess Surplus	<u>1,033,542</u>
Total	\$ 1,915,987

Detail of Allowable Adjustments

Impact Aid	\$ 39,199
Sale and Lease-back	
Extraordinary Aid	202,302
Additional Non Public School Transportation Aid	39,309
Unbudgeted TPAF Wage Freeze Grant Funding	
Higher Expectations for Learning and Proficiency Aid	<u> </u>
Total Adjustments	\$ 280,810

Detail of Other Restricted Fund Balance

Statutory Restrictions:	
Approved unspent separate proposal	\$
Capital Outlay for a district with a Capital Outlay cap waiver	
Sale/Lease-Back Reserve	
Maintenance Reserve	50,000
Emergency Reserve	
Tuition Reserve	
Other State/Government Mandated Reserve	<u> </u>
[Other Restricted Fund Balance not noted above]	
Total Other Restricted Fund Balance	\$ <u><u>50,000</u></u>