

HOLMDEL BOARD OF EDUCATION
HOLMDEL, NEW JERSEY

FISCAL YEAR ENDED JUNE 30, 2011

AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

TABLE OF CONTENTS

	Page No.
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures:	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting:	
Examination of Claims	2
Payroll/Payroll Deduction Accounts	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures:	3
• General Classifications	N/A
• Administrative Classifications	N/A
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act (E.S.E.A.)/ Improving America's Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001	3
Other Special Federal and/or State Projects	3
TPAF Reimbursement	4
DEPA Accounting	N/A
School Purchasing Programs:	
Contracts and Agreements Requiring Advertisement for Bids	4
School Food Service	4-5
Student Body Activities	5
Application for State School Aid	5
Pupil Transportation	5
Facilities and Capital Assets	6
Follow-up on Prior Year Findings	6
Acknowledgment	6
Schedule of Milk Count Activity	N/A
Schedule of Audited Enrollments	7-9
Excess Surplus Calculation	10-11

Hutchins, Farrell, Meyer & Allison, P.A.

Certified Public Accountants • Business & Financial Advisors

Robert H. Hutchins, CPA, CVA, CFF
Eugene M. Farrell, CPA, RMA, CFP
Robert W. Allison, CPA, RMA
Alan E. Meyer, CPA/ABV, CFF
Joanu DiLieto, CPA

Patrice R. Antonucci, CPA
Glenn G. VanPell, CPA
Karen D. Davis, CPA, CVA
Crystal L. Fitzpatrick, CPA
Hélène T. Morizzo, CPA

Monmouth County Office

912 Highway 33 • Suite 2
Freehold, NJ 07728
(732) 409-0800
Fax: (732) 866-9312

Ocean County Office

512 Main Street • PO Box 1778
Toms River, NJ 08754
(732) 240-5600
Fax: (732) 505-8358

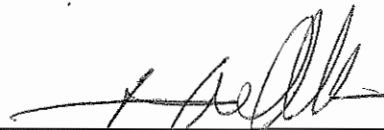
INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Holmdel School District
County of Monmouth
Holmdel, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America, 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 Holmdel School District in the County of Monmouth for the year ended June 30, 2011, and have issued our report thereon dated November 9, 2011.

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 Holmdel 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 W. Allison
Licensed Public School Accountant
No. 897
Hutchins, Farrell, Meyer & Allison, P.A.

November 9, 2011

Administrative Findings - Financial, Compliance and Performance

Scope of Audit

The audit covered the financial transactions of the Business Administrator/Board Secretary and the Treasurer of School Moneys, the activities of the School District, and the records of the various funds under the auspices of the School District.

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.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael R. Petrizzo, CPA	Business Administrator/ Board Secretary	\$ 100,000.00
Brian P. DeLucia	Treasurer	300,000.00

Adequacy of insurance coverage is the responsibility of the District.

Tuition Charges

Not applicable.

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/Payroll Deduction Accounts

The net salaries tested of all employees of the District were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

Payrolls tested during our examination were approved by the Superintendent and were certified by the President of the Board and the Business Administrator/Board Secretary.

Salary withholdings tested 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, 2011 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:23-16.2(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, a transaction error rate of 0.00% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Business Administrator/Board Secretary's Records

Our review of the financial and accounting records maintained by the Business Administrator/Board Secretary disclosed no exceptions.

Treasurer's Records

The records maintained by the Treasurer of School Moneys were in agreement with the records maintained by the Business Administrator/Board Secretary.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) 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 the projects under Title I and VI of the Elementary and Secondary Education Act, as amended.

No exceptions were noted.

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.

No exceptions were noted.

Financial Planning, Accounting and Reporting (continued)

TPAF Reimbursement

Our audit procedures included a test of the biweekly reimbursements 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

Effective July 1, 2010 and thereafter, the bid threshold in accordance with N.J.S.A. 18A:18A-3 (as amended) is \$26,000.00, or \$36,000.00 if a Qualified Purchasing Agent is appointed; and in accordance with N.J.S.A. 18A:39-3, the bid threshold is \$17,500.00.

The District 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.

Based upon 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

Chartwells, by contractual agreement, is responsible for the management of the cafeteria and food preparation. Financial and statistical records are maintained at their office in Monroe Township, New Jersey.

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

School Food Service (continued)

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food items were currently maintained and properly applied in determining the cost of food and supplies used.

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's Food Service Management Company ("FSMC") 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 a management service fee of \$13,236.00. There is no additional operating results provision.

Exhibits reflecting Food Service operations are included in the section of the CAFR entitled Proprietary Funds.

Student Body Activities

We noted no exceptions during our review of Student Body activities.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2010 Application for State School Aid ("A.S.S.A.") for on-roll, private schools for the handicapped, bilingual, 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 with exception. The information that was included on the workpapers was verified with 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 written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2010/11 District Report of Transported Resident Students ("DRTRS"). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with 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.

Follow-Up on Prior-Year Findings

Not applicable.

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.

HOLMDEL BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2010

SCHEDULE OF AUDITED ENROLLMENTS

	2011-2012 Application for State School Aid				Sample for Verification				Private Schools for Disabled					
	Reported on A.S.S.A. On Roll	Reported on Workpapers On Roll	Errors Full	Errors Shared	Sample Selected from Workpapers Full	Sample Selected from Workpapers Shared	Verified per Registers On Roll Full	Verified per Registers On Roll Shared	Errors per Registers On Roll Full	Errors per Registers On Roll Shared	Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors
Half Day Preschool 3 Yrs	12.0	12.0			1.0	1.0								
Half Day Preschool 4 Yrs	18.0	18.0			2.0	2.0								
Half Day Kindergarten	141.0	141.0			13.0	13.0								
One	172.0	172.0			16.0	16.0								
Two	203.0	203.0			19.0	19.0								
Three	187.0	187.0			17.0	17.0								
Four	238.0	238.0			22.0	22.0								
Five	213.0	213.0			20.0	20.0								
Six	211.0	211.0			19.0	19.0								
Seven	251.0	251.0			23.0	23.0								
Eight	233.0	233.0			21.0	21.0								
Nine	222.0	222.0			20.0	20.0								
Ten	224.0	224.0			21.0	21.0								
Eleven	246.0	246.0			23.0	23.0								
Twelve	239.0	239.0		2.0	22.0	2.0	2.0	2.0						
Subtotal	2,810.0	2,810.0		2.0	259.0	2.0	259.0	2.0						
Special Ed - Elementary	175.0	175.0			16.0	16.0				3.0	2.0	2.0	2.0	
Special Ed - Middle School	111.0	111.0			10.0	10.0				6.0	5.0	5.0	5.0	
Special Ed - High School	111.0	111.0			10.0	5.0	10.0	5.0		11.0	10.0	10.0	10.0	
Subtotal	397.0	397.0		6.0	36.0	5.0	36.0	5.0		20.0	17.0	17.0	17.0	
Totals	3,207.0	3,207.0		8.0	295.0	7.0	295.0	7.0		20.0	17.0	17.0	17.0	
Percentage Error			0.00	0.00					0.00					0.00

**HOLMDEL
SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION**

Date Issued 06/11

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2010-11 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 52,360,204.24</u> (B)
Increased By:	
Transfer to Food Service Fund	<u>\$</u> (B1a)
Transfer from Capital Outlay to Capital Projects Fund	<u>\$</u> (B1b)
Transfer from Capital Reserve to Capital Projects Fund	<u>\$</u> (B1c)
Decreased By:	
On-Behalf TPAF Pension & Social Security	<u>\$ 3,461,778.59</u> (B2a)
Assets Acquired Under Capital Leases	<u>\$</u> (B2b)
Adjusted 2010-11 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 48,898,425.65</u> (B3)
2% of Adjusted 2010-11 General Fund Expenditures [(B3) times .02]	<u>\$ 977,968.51</u> (B4)
Enter Greater of (B4) or \$250,000	<u>\$ 977,968.51</u> (B5)
Increased By: Allowable Adjustment*	<u>\$ 805,659.86</u> (K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	<u>\$ 1,783,628.37</u> (M)

SECTION 2

Total General Fund – Fund Balances @ 6-30-11 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 4,723,138.34</u> (C)
Decreased By:	
Year-end Encumbrances	<u>\$ 1,319,088.49</u> (C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	<u>\$</u> (C2)
Excess Surplus – Designated for Subsequent Year's Expenditures**	<u>\$</u> (C3)
Other Reserved Fund Balances****	<u>\$ 776,081.34</u> (C4)
Assigned Fund Balance - Unreserved – Designated for Subsequent Year's Expenditures	<u>\$ 1,600,000.00</u> (C5)
Total Unreserved/Undesignated Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 1,027,968.51</u> (U1)

**SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION**

SECTION 3

Reserved Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0- \$ 0.00 (E)

Recapitulation of Excess Surplus as of June 30, 2011

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures**	\$	<u> </u> (C3)
Reserved Excess Surplus***[(E)]	\$	<u>0.00</u> (E)
 Total [(C3)+(E)]	 \$	 <u>0.00</u> (D)

Footnotes:

* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), Extraordinary Aid, and Additional Nonpublic School Transportation Aid if applicable (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid).

Detail of Allowable Adjustments

Impact Aid	\$	<u> </u> (H)
Sale & Lease-Back	\$	<u> </u> (I)
Extraordinary Aid	\$	<u>775,401.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$	<u>30,258.86</u> (J2)
Higher Expectations for Learning Proficiency	\$	<u> </u> (J3)
 Total Adjustments [(H)+(I)+(J1)+(J2)]	 \$	 <u>805,659.86</u> (K)

** This amount represents the June 30, 2011 Excess Surplus (C3 above) and must be included in the Audsum Worksheet Line 10025.

*** Amounts must agree to the June 30, 2011 CAFR and must agree to Audit Summary Worksheet Line 10024.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	<u> </u>
Capital outlay for a district with a capital outlay SGLA	\$	<u> </u>
Sale/lease-back reserve	\$	<u> </u>
Capital reserve	\$	<u> </u>
Maintenance reserve	\$	<u>776,081.34</u>
Waiver offset reserve	\$	<u> </u>
Emergency reserve	\$	<u> </u>
Tuition reserve	\$	<u> </u>
Other state/government mandated reserve	\$	<u> </u>

[Other Reserved Fund Balance not noted above]**** \$

Total Other Reserved Fund Balance 11 \$ 776,081.34 (C4)