

**AVON-BY-THE-SEA SCHOOL DISTRICT**

**AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015**

**AVON-BY-THE-SEA SCHOOL DISTRICT  
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## INDEPENDENT AUDITOR'S REPORT

Honorable President and  
Members of the Board of Education  
Avon-By-The-Sea 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 basic financial statements of the Board of Education of the Avon-By-The-Sea School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated November 30, 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 Avon-By-The-Sea School District 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. 2183

ALVINO & SHECHTER, L.L.C.

November 30, 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, 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 the district's CAFR.

### Official Bonds (N.J.S.A.18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Amy S. Lerner	Board Secretary/School Business Administrator	\$2,000.00
Christopher Mullins	Treasurer	\$150,000.00

Adequacy of insurance coverage is the responsibility of the District.

## 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 and Employee Position Control Roster

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 monies with a warrant made to his order for the full amount of each payroll.

An inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

### 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.

## **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 no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification and administrative classification.

### A. General Classification Findings

None

### B. Administrative Classification Findings

None

## **Board Secretary's Records**

The records of the Board Secretary were properly maintained during the fiscal year ended June 30, 2015 and were in agreement with the records of the Treasurer.

## **Treasurer's Records**

The records of the Treasurer were properly maintained during the fiscal year ended June 30, 2015 and were in agreement with the records of the Board Secretary.

## **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./NCLB 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 and reauthorized.

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 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 thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000.00 (with a Qualified Purchasing Agent) and \$26,000.00 (without a Qualified Purchasing Agent), respectively. Amy Lerner has been appointed as the qualified purchasing agent pursuant to N.J.S.A. 40A:11-9(b) and therefore the bid threshold has been increased to \$36,000.00 per statute. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A-39-3 is currently \$18,300.00.

The district board of education has the responsibility of determining whether the expenditure 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.

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 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 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 vouchers were timely filed, and meals claimed agreed with meal count records.

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 and/or to the list of directly certified students on file, times the number of operating days. The free and reduced price 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.

The Board of Education had a Satellite Type A Lunch Agreement with the Neptune City Board of Education to supply lunches on a daily basis for the year 2014/2015.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Purchase records on food supply 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.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

U.S.D.A. commodities were not received.

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

### **Unemployment Compensation Insurance Trust Fund**

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

### **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 school for the handicapped, and 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 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 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. No exceptions were noted in our review of transportation related purchases of goods and service.

### **Follow-up on Prior Years' 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 us.



**AVON SCHOOL DISTRICT**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2014**

**SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income		Sample for Verification		Resident LEP Low Income		Sample for Verification	
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day Preschool								
Full Day Preschool								
Half Day Kindergarten								
Full Day Kindergarten								
One	3	3	3	3				
Two	3	3	3	3				
Three	3	3	3	3				
Four	2	2	2	2				
Five	1	1	1	1				
Six								
Seven	1	1	1	1				
Eight	2	2	2	2				
Nine	1	1	1	1				
Ten	2	2	2	2				
Eleven	1	1	1	1				
Twelve								
Post-Graduate								
Adult H.S. (15+CR.)								
Adult H.S. (1-14 CR.)								
<b>Subtotal</b>	<u>19</u>	<u>19</u>	<u>19</u>	<u>19</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed - Elementary								
Special Ed - Middle								
Special Ed - High								
<b>Subtotal</b>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular								
Co. Voc. Pt. Post Sec.								
<b>Totals</b>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error								<u>0.00%</u>
<b>Transportation</b>								
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools, col. 1	47	47		47	47			
Reg. - SpEd, col. 4	21	21		21	21			
Transported - Non-Public, col. 3	8	8		8	8			
Special Ed Spec, col. 6	76	76		76	76			
<b>Totals</b>	<u>152</u>	<u>152</u>	<u>0</u>	<u>152</u>	<u>152</u>	<u>0</u>		<u>0.00%</u>
Percentage Error								<u>0.00%</u>

Reg. Avg. (Mileage) = Regular Including Grade PK students (Part A) 8.8  
 Reg. Avg. (Mileage) = Regular Excluding Grade PK students (Part A) 8.8  
 Spec. Avg. = Special Ed with Special Needs 11.0

AVON 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.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	0	0	0	0	0
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	0	0	0	0	0
Special Ed - Elementary					
Special Ed - Middle					
Special Ed - High					
Subtotal	0	0	0	0	0
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	0	0	0	0	0
Percentage Error		0.00%			0.00%

## EXCESS SURPLUS CALCULATION

### REGULAR DISTRICT

#### SECTION 1

##### A. 2% Calculation of Excess Surplus

2014-2015 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>3,521,325.10</u> (B)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____(B1b)
Transfer from General Fund to SRF for Pre K - Regular	\$ _____(B1c)
Transfer from General Fund to SRF for Pre K - Inclusion	\$ _____(B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>255,151.40</u> (B2a)
Assets Acquired Under Capital Assets	\$ _____(B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>3,266,173.70</u> (B3)
2% of Adjusted 2014-2015 General Fund Expenditures [(B3) times .02]	\$ <u>65,323.47</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000.00</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>27,630.00</u> (K)
Maximum Unrestricted/Unassigned Fund Balance [(B5)+(K)]	\$ <u>277,630.00</u> (M)

#### SECTION 2

Total General Fund - Fund Balances @ 6-30-15 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,996,885.46</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>18,085.84</u> (C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____(C2)
Legally Restricted -Excess Surplus-Designated for Subsequent Year's Expenditures**	\$ <u>679,401.99</u> (C3)
Other Restricted Fund Balances****	\$ <u>321,078.11</u> (C4)
Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>20,022.01</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>958,297.51</u> (U1)

**SECTION 3**

Restricted Fund Balance-Excess Surplus\*\*\*[(U1)-(M)] IF NEGATIVE ENTER -0- \$ 680,667.51(E)

**Recapitulation of Excess Surplus as of June 30, 2015**

Restricted Excess Surplus-Designated for Subsequent Year's  
Expenditures\*\* \$ 679,401.99(C3)  
Restricted Excess Surplus\*\*\*[(E)] \$ 680,667.51(E)  
Total [(C3)+(E)] \$ 1,360,069.50(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 and recognized current year School Bus Advertising Revenue, and Family Crisis Transportation Aid.

**Detail of Allowable Adjustments**

Impact Aid \$ \_\_\_\_\_(H)  
Sale & Lease-back \$ \_\_\_\_\_(I)  
Extraordinary Aid \$ 24,498.00(J1)  
Additional Nonpublic School Transportation Aid \$ 3,132.00(J2)  
Current Year School Bus Advertising Revenue Recognized \$ \_\_\_\_\_(J3)  
Family Crisis Transportation Aid \$ \_\_\_\_\_(J4)  
  
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)] \$ 27,630.00(K)

\*\* This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amounts must agree to the June 30, 2015 CAFR and must agree to Audit Summary Worksheet Line 90030.

\*\*\*\* Amount for Other Reserved Fund Balances must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant to the Commissioner for Finance prior to September 30.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:  
Approved unspent separate proposal \$ \_\_\_\_\_  
Sale/lease-back reserve \$ \_\_\_\_\_  
Capital reserve \$ 258,128.11  
Maintenance reserve \$ \_\_\_\_\_  
Emergency reserve \$ \_\_\_\_\_  
Tuition reserve \$ 62,950.00  
School Bus Advertising 50% Fuel Offset Reserve - current year \$ \_\_\_\_\_  
School Bus Advertising 50% Fuel Offset Reserve - prior year \$ \_\_\_\_\_  
Impact Aid General Fund Reserve (Sections 8002 and 8003) \$ \_\_\_\_\_  
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) \$ \_\_\_\_\_  
Other state/government mandated reserve \$ \_\_\_\_\_  
[Other Restricted Fund Balance not noted above]\*\*\*\* \$ \_\_\_\_\_  
Total Other Restricted Fund Balance \$ 321,078.11 (C4)