

BRADLEY BEACH BOARD OF EDUCATION

Bradley Beach, New Jersey
County of Monmouth

**Auditor's Management Report
on Administrative Findings -
Financial, Compliance and Performance
FOR THE YEAR ENDED JUNE 30, 2015**

**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

TABLE OF CONTENTS

	PAGE
Report of Independent Auditors - Auditor's Management Report on Administrative Findings, Financial Compliance and Performance	1
Scope of Audit	3
Administrative Practices and Procedures:	
Insurance	3
Official Bonds	3
Tuition Charges	3
Financial Planning, Accounting and Reporting:	
Examination of Claims	3
Payroll Account	4
Reserve for Encumbrances and Accounts Payable	4
Classification of Expenditures	4
Board Secretary's Records	4
Treasurer's Records	4
Pupil Transportation	4
Elementary & Secondary School Education Act (E.S.E.A.), as amended by the Improving America's Schools Act of 1994 (I.A.S.A.)	5
Other Special Federal and/or State Project	5
T.P.A.F. Reimbursement	5
School Purchasing Programs:	
Contracts & Agreements Requiring Advertisement for Bids	5
School Food Service	6
Student Body Activities	7
Application for State School Aid	7
Follow-up on Prior Year Findings	7
Acknowledgment	8
Additional Information:	
Schedule of Meal Count Activity	N/A
Schedule of Audited Enrollments	11
Schedule of Expenditures of Federal Awards	14
Excess Surplus Calculation	15



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

Honorable President and Members
of the Board of Education
Bradley Beach School District
Bradley Beach, 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 Bradley Beach School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 8, 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 Bradley Beach School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

Robert W. Allison
Certified Public Accountant
Public School Accountant, No. 897

Freehold, New Jersey
December 8, 2015

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**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the 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 the District's CAFR.

Official Bonds (N.J.S.A 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
David Tonzola	Board Secretary/School Business Administrator	\$ 100,000.00
Bruce Rodman	Treasurer	175,000.00

Tuition Charges

The District does not maintain a high school (grades 9-12). The high school students of the District are sent on a per student tuition basis to high schools of other municipalities. Our examination, on a test basis, revealed for all tuition disbursements, that a contract was on file and tuition rates agreed upon were charged.

It should be noted that the statutes allow for a calculation to be made two years after the fiscal year ends which may result in either a refund from the sending district or additional amounts due to the sending district. All adjustments are handled on a current basis as to credit or disbursement with regards to budget charges.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under the review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Financial Planning, Accounting and Reporting (continued):

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, the Board Secretary/Business Administrator, and the Chief School Administrator.

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

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 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:23A-16.2(f) as part of 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-8.3. No exceptions were noted.

Board Secretary's Records

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

Treasurer's Records

The Treasurer's records were reviewed and were in agreement with the records of the Board Secretary.

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 the procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation contracts and purchases. Based on this 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 exception were noted in our review of transportation related purchased of goods and services.

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./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 the projects under Title I, IIA and III 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 State Projects were approved as listed on Exhibits K-4 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 with 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 in our study of compliance for the 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.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year’s Final Report(s) for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) 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 and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

School Purchasing Programs (continued):

The bid thresholds in accordance with N.J.S.A.18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A.18A:39-3 is \$18,300.00 for 2013-14.

The 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 our examination we 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.

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.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) 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 included an operating results provision which guarantees that the food service program will be a loss of no greater than \$7,500. The operating results provision has been met.

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.

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.

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 number of meals claimed for reimbursement was compared to sales and meal count record. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

School Food Service (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 price meal and free milk policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

Student Body Activities

During our review of student activities, no exceptions were noted.

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 and low-income, and bilingual. We also performed a review of the district's procedures related to its completion. The information on the ASSA was compared to the district workpapers with exception. The information that was included on the workpapers was verified without exception. The results of the procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms of their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data.

Follow-up on Prior-Year Findings

In accordance with Governmental Auditing Standards, our procedures included a review of all prior year recommendations including 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 team.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

Robert W. Allison
Certified Public Accountant
Public School Accountant, No. 897

Freehold, New Jersey
December 8, 2015

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

BRADLEY BEACH BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2014

	2014-2015 Application for State School Aid				Sample for Verification				Private Schools for Disabled												
	Reported on A.S.S.A. On Roll		Workpapers On Roll		Errors Full Shared		Sample Selected from Workpapers Full Shared		Registers On Roll Full Shared		Errors per Registers On Roll Full Shared		Reported on A.S.S.A. as Private Schools		Sample for Verification		Sample Verified		Sample Errors		
Half Day Preschool - 3 Yrs	6		6				4														
Full Day Preschool - 3 Yrs																					
Half Day Preschool - 4 Yrs																					
Full Day Preschool - 4 Yrs																					
Half Day Kindergarten	26		26				16														
Full Day Kindergarten	32		32				16														
One	33		33				15														
Two	23		23				10														
Three	33		33				17														
Four	30		30				15														
Five	20		20				10														
Six	26		26				14														
Seven	14		14				10														
Eight																					
Nine																					
Ten																					
Eleven																					
Twelve																					
Subtotal	243		243				127														
Special Ed - Elementary	21		21				11														
Special Ed - Middle School	19		19				9														
Special Ed - High School																					
Subtotal	40		40				20														
Totals	283		283				147														
Percentage Error																					

SCHEDULE OF AUDITED ENROLLMENTS (2)

BRADLEY BEACH BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident Low Income			Resident LEP Low Income			Sample for Verification			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	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 Application and Register	Sample Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool - 3 Yrs												
Full Day Preschool - 3 Yrs												
Half Day Preschool - 4 Yrs												
Full Day Preschool - 4 Yrs												
Half Day Kindergarten												
Full Day Kindergarten												
One	17	17		13	13		10	10		10	10	
Two	23	23		15	15		12	12		12	12	
Three	23	23		13	13		10	10		10	10	
Four	14	14		8	8		6	6		6	6	
Five	27	27		13	13		10	10		10	10	
Six	17	17		5	5		3	3		3	3	
Seven	12	12										
Eight	14	14										
Nine	11	11										
Ten	5	5										
Eleven	10	10		1	1							
Twelve	8	8										
Subtotal	191.0	191.0		68	68		51	51		51	51	
Special Ed - Elementary	12	12		3	3		2	2		2	2	
Special Ed - Middle	15	15										
Special Ed - High	12	12										
Subtotal	39	39		3	3		2	2		2	2	
Co.Voc--Regular												
Totals	230.0	230.0		71	71		53	53		53	53	
Percentage Error							-0-	-0-		-0-	-0-	
Transportation												
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors						
Reg. - Public Schools, col. 1	40	40		30	30							
Reg -SpEd, col. 4	2	2		2	2							
ALL, col. 2	13	13		10	10							
Transported - Non-Public, col. 3	15	15		11	11							
Special Ed Spec, col. 6												
Totals	70	70		53	53							
Percentage Error				-0-	-0-							

SCHEDULE OF AUDITED ENROLLMENTS (3)

**BRADLEY BEACH BOARD OF EDUCATION
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 - 3 Yrs						
Full Day Preschool - 3 Yrs						
Half Day Preschool - 4 Yrs						
Full Day Preschool - 4 Yrs						
Half Day Kindergarten						
Full Day Kindergarten	1	1		1	1	
One						
Two	2	2		2	2	
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Subtotal	3	3		3	3	
Special Ed - Elementary	2	2				
Special Ed - Middle	1	1		1	1	
Special Ed - High						
Subtotal	3	3		2	2	
Totals	6	6		5	5	
Percentage Error						-0-

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2014-2015 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 7,112,606.83 (B)
Increased By:	
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 PreK-Regular	\$ (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ (B1d)
Decreased By:	
On-Behalf TPAF Pension & Social Security	\$ 520,896.11 (B2a)
Assets Acquired Under Capital Leases	\$ (B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 6,591,710.72 (B3)
2% of adjusted 2014-2015 General Fund Expenditures [(B3) times .02]	\$ 131,834.21 (B4)
Enter Greater of (B4) or \$250,000	\$ 250,000.00 (B5)
Increased By: Allowable Adjustment*	\$ 24,566.00 (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 274,566.00 (M)

SECTION 2

Total General Fund – Fund Balances @ 6/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,243,856.30 (C)
Decreased By:	
Year-end Encumbrances	\$ 98,984.42 (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ 139,138.11 (C3)
Other Restricted Fund Balances****	\$ 443,000.00 (C4)
Assigned Fund Balance - Unreserved – Designated for Subsequent Year’s Expenditures	\$ 65,844.89 (C5)
Total Unassigned Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 496,888.88 (U1)

EXCESS SURPLUS CALCULATION (continued):

SECTION 3

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0-	<u>\$ 222,322.88 (E)</u>
---	--------------------------

Recapitulation of Excess Surplus as of June 30, 2015

Reserve Excess Surplus – Designated for Subsequent Year’s Expenditures**	<u>\$ 139,138.11 (C3)</u>
Reserved Excess Surplus***[(E)]	<u>\$ 222,322.88 (E)</u>
 Total [(C3)+(E)]	 <u>\$ 361,460.99 (D)</u>

Footnotes:

- * Allowable adjustment to expenditures on the line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
 - (H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2015 the Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid
 Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	<u>\$ (H)</u>
Sale & Lease-Back	<u>\$ (I)</u>
Extraordinary Aid	<u>\$ 23,699.00 (J1)</u>
Additional Nonpublic School Transportation Aid	<u>\$ 867.00 (J2)</u>
Current Year School Bus Advertising Revenue Recognized	<u>\$ (J3)</u>
Family Crisis Transportation Aid	<u>\$ (J4)</u>
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	 <u>\$ 24,566.00 (K)</u>

- * This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.
- * Amounts must agree to the June 30, 2015 CAFR and must agree to Audit Summary Line 90030.
- ** Amount for Other Restricted 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 Administration and Finance prior to September 30.

EXCESS SURPLUS CALCULATION (continued):

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ 108,000.00
Maintenance reserve	\$ 85,000.00
Emergency reserve	\$ 250,000.00
Tuition reserve	\$ _____
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 General Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
Total Other Restricted Fund Balance	\$ 443,000.00 (C4)