

EATONTOWN BOARD OF EDUCATION

Eatontown, 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**

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

Honorable President and Members
of the Board of Education
Eatontown School District
Eatontown, 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 Borough of Eatontown in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 04, 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 Eatontown 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 04, 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>
Lori Youngclaus	Business Administrator/ Board Secretary	\$ 100,000.00
Deborah Trainor	Treasurer	250,000.00

Tuition Charges

Not applicable.

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.

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.

Financial Planning, Accounting and Reporting (continued):

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

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 Titles I and Title 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.

Other Special Federal and/or State Projects

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.

The tests of compliance for the major state and federal programs selected did not indicate any areas of noncompliance. However, the New Jersey Department of Education noted the following exceptions:

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.

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

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.

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, Exhibits B-4 through B-6 of the CAFR

Student Body 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 without 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.

Pupil Transportation

Audit procedures included a test of on-roll status reported in the 2013-2014 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 exceptions were noted in our review of transportation related purchased of goods and services.

Follow-up on Prior-Year Findings

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

Respectfully submitted,

HOLMAN FRENIA ALLISON, P.C.

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

Freehold, New Jersey
December 04, 2015

ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (I)

EATONTOWN 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 Handicapped								
	Reported on A.S.S.A. On Roll		Workpapers On Roll		Errors		Sample Selected From Workpapers		Registers On Roll		Errors Per Registers On Roll		Reported on ASSA		Sample Verified		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool - 4 Yrs	9		9				2												
Full Day Preschool																			
Half Day Kindergarten	92		92				22												
One	101		101				25												
Two	109		109				26												
Three	97		97				24												
Four	83		83				20												
Five	84		84				20												
Six	84		84				20												
Seven	79		79				19												
Eight	101		101				25												
Nine																			
Ten																			
Eleven																			
Twelve																			
Subtotal	839		839				203												
Sp Ed - Elementary	135		135				32												
Sp Ed - Middle School	77		77				19												
Sp Ed - High School																			
Subtotal	212		212				51												
Totals	1,051		1,051				254												
Percentage Error																			

SCHEDULE OF AUDITED ENROLLMENTS (2)

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

	Low Income				Sample for Verification				Resident LEP Low Income				Sample for Verification	
	Reported on A.S.S.A. As Free/Reduced Full	Shared	Errors Full	Shared	Sample Selected from Workpapers Full	Shared	Verified to Application & Register Full	Shared	Reported on A.S.S.A. as LEP low Income	Sample Errors	Reported on Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool	42				17		17		10		10	10	10	
Full Day Preschool	55				21		21		11		11	9	9	
Half Day Kindergarten	35				14		14		3		3	3	3	
Full Day Kindergarten	40				16		16		3		3	3	3	
One	40	42			16		16		1		1	1	1	
Two	40	55			13		13		1		1	1	1	
Three	33	35			13		13		1		1	1	1	
Four	33	40			14		14		1		1	1	1	
Five	37	40			17		17							
Six	37	33												
Seven	37	33												
Eight	42	37												
Nine		42												
Ten														
Eleven														
Twelve														
Subtotal	357				141		141		30		30	25	25	

Sp Ed - Elementary	89				34		34							
Sp Ed - Middle School	55				21		21							
Sp Ed - High School														
Total	144				55		55		30		30	25	25	

Percentage Error -0-

TRANSPORTATION

	Reported on DRTS By DOE		Reported on DRTS By District		Amount Verified	
	Tested	Errors	Tested	Errors	Tested	Errors
Regular - Public Schools Col 1	76	76	52	52	52	52
Regular - Special Ed Col 4	48	48	33	33	33	33
ALL Col 2	30	30	20	20	20	20
Transported - Nonpublic Col 3	95	95	65	65	65	65
Special Needs - Public Col 6	35	35	24	24	24	24
Totals	284	284	194	194	194	194

Percentage Errors -0-

SCHEDULE OF AUDITED ENROLLMENTS (3)

EATONTOWN 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	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool					
Full Day Preschool					
Half Day Kindergarten					
Full Day Kindergarten					
One	4	4	4	4	
Two	4	4	4	4	
Three	3	3	2	2	
Four	1	1	1	1	
Five					
Six	2	2			
Seven	1	1	1	1	
Eight	1	1	1	1	
Nine					
Ten					
Eleven					
Twelve					
Subtotal	16	16	13	13	
Special Ed - Elementary					
Special Ed - Middle					
Special Ed - High					
Subtotal					
Totals	16	16	13	13	
Percentage Error					-0-

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 18,966,612.55 (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	\$ 1,869,967.55 (B2a)
Assets Acquired Under Capital Leases	\$ - (B2b)
Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 17,096,645.00 (B3)
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	\$ 341,932.90 (B4)
Enter Greater of (B4) or \$250,000	\$ 341,932.90 (B5)
Increased By: Allowable Adjustment*	\$ 24,067.00 (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 365,999.90 (M)

SECTION 2

Total General Fund – Fund Balances @ 6/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 4,165,532.32 (C)
Decreased By:	
Year-end Encumbrances	\$ 513,924.43 (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ - (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures**	\$ 749,947.27 (C3)
Other Restricted Fund Balances****	\$ 1,414,943.33 (C4)
Assigned Fund Balance - Unreserved – Designated for Subsequent Year's Expenditures	\$ 317,962.73 (C5)
Total Unassigned Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 1,168,754.56 (U1)

SECTION 3

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0-	\$ 802,754.66 (E)
---	-------------------

Recapitulation of Excess Surplus as of June 30, 2015

Reserve Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ 749,947.27 (C3)
Reserved Excess Surplus***[(E)]	\$ 802,754.66 (E)
Total Excess Surplus [(C3)+(E)]	\$ 1,552,701.93 (D)

Footnotes:

- * Allowable adjustments to expenditures on 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 Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid 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
 - (J1) Extraordinary Aid
 - (J2) Additional Nonpublic School Transportation Aid
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid

Detail of Allowable Adjustments

Impact Aid	\$ 11,215.00 (H)
Sale & Lease-Back	\$ - (I)
Extraordinary Aid	\$ - (J1)
Additional Nonpublic School Transportation Aid	\$ 12,852.00 (J2)
Current Year School Bus Advertising Revenue Recognized	\$ - (J3)
Family Crisis Transportation Aid	\$ - (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$ 24,067.00 (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.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$
Sale/lease-back reserve	\$
Capital reserve	\$ 922,942.93
Maintenance reserve	\$ 350,000.00
Emergency reserve	\$ 142,000.40
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 (Section 8002 and 8003)	\$
Impact Aid General Fund Reserve (Section 8007 and 8008)	\$
Other state/government mandated reserve	\$
[Other Restricted Fund Balance not noted above]****	\$
Total Other Restricted Fund Balance	<u>\$ 1,414,943.33 (C4)</u>