

**BOROUGH OF AVALON
BOARD OF EDUCATION**

**AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

BOROUGH OF AVALON SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

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Honorable President and
Members of the Board of Education
Borough of Avalon School District
County of Cape May, New Jersey

REPORT OF INDEPENDENT AUDITORS

We have audited, in accordance with audit standards 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 Avalon School District in the County of Cape May for the year ended June 30, 2016, and have issued our report thereon dated November 22, 2016.

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 Borough of Avalon 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.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia

Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

November 22, 2016

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**BOROUGH OF AVALON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND
PERFORMANCE REPORTING**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, 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

The Avalon School District is a member of the Atlantic and Cape May Counties Joint Insurance Fund.

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>
Linda Fiori	Business Administrator	\$ 10,000.00
James Craft	Treasurer	\$155,000.00
Public Employees' Honesty Blanket Bond		\$250,000.00

Financial Planning, Accounting and Reporting

Examination of Claims

Our review of claims paid during the year indicated no 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 the 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 Chief School Administrator.

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

Tuition Charges

A comparison of tentative tuition charges and actual certified charges was made.

**BOROUGH OF AVALON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND
PERFORMANCE REPORTING
(CONTINUED)**

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.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed no issues.

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 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. As a result of the procedures performed, a zero transaction error rate was noted and no additional procedures were deemed necessary to test propriety of expenditure classification.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer were in satisfactory condition.

Other Special Federal and/or State Projects

On a test basis, our audit of the federal and state funds 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.

**BOROUGH OF AVALON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND
PERFORMANCE REPORTING
(CONTINUED)**

Financial Planning, Accounting and Reporting (Continued)

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.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

Not applicable.

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 \$40,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. Avalon Board of Education has a Qualified Purchasing Agent therefore the bid threshold was \$40,000 for fiscal year 2015. The law regulating bidding for public school student transportation contract under N.J.S.A. 18A:39-3 is currently \$18,800.

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 my examination, I did not note any individual payments, contracts, or agreements were 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 Services

The financial transactions and statistical records for the School Food Services were reviewed. 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. No exceptions noted.

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. No exceptions noted.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education. No exceptions noted.

Net cash resources did not exceed three months average expenditures.

**BOROUGH OF AVALON SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND
PERFORMANCE REPORTING
(CONTINUED)**

School Food Services (Continued)

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 nonprofit status of school food services. Net cash resources did not exceed three months average expenditures. No exceptions noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Schedules B-4 through B-6.

Student Body Activities

The records of the Student Activity Fund were in satisfactory condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income students. 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 written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2015-2016 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 awarding of contracts. 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 including findings. Corrective action has 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.

BOROUGH OF AVALON SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

SCHEDULE OF AUDITED ENROLLMENTS

	2016-2017 Application for State School Aid				Sample for Verification				Private Schools for Disabled			
	Reported on A.S.A. On Roll	Reported on Workpapers On Roll	Reported on Selected from Workpapers	Verified per Registers On Roll	Errors per Registers On Roll	Full	Shared	Reported on A.S.A. as Private Schools	Sample Verification	Sample Verified	Sample Errors	
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One												
Two												
Three												
Four												
Five	10	10	10	10								
Six	9	9	9	9								
Seven	11	11	11	11								
Eight	11	11	11	11								
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14+CR.)												
Subtotal	41	41	41	41								
Special Ed - Elementary												
Special Ed - Middle School	8	8	8	8								
Special Ed - High School												
Subtotal	8	8	8	8								
Co. Voc. - Regular												
Co. Voc. - FT Post Sec.												
Totals	49	49	49	49	0.00%	49	0.00%	49	0.00%	49	0.00%	
Percentage Error					0.00%		0.00%		0.00%		0.00%	

BOROUGH OF AVALON SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

SCHEDULE OF AUDITED ENROLLMENTS

	2016-2017 Application for State School Aid			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	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 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												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14+CR.)												
Subtotal												
Special Ed - Elementary												
Special Ed - Middle School												
Special Ed - High School												
Subtotal												
Co. Voc. - Regular												
Co. Voc. - FT Post Sec.												
Totals												
Percentage Error												

Transportation							Reported	Recalculated
Reported on DRTS by DOE/County	Reported on District	Errors	Tested	Verified	Errors			
Reg. - Public Schools, col. 1	30	-	30	30	-	6.8	6.8	
Reg. - Sp Ed, col. 4	1	-	1	1	-	6.8	6.8	
Transported - Non-Public, col. 3	4	-	4	4	-	10.9	10.9	
Special Ed Spec, col. 6	35	-	35	35	-			
Totals								
Percentage Error								

Reg Avg. (Mileage) = Regular Including Grade PK Students (Part A)
 Reg Avg. (Mileage) = Regular Excluding Grade PK Students (Part B)
 Spec Avg. = Special Ed with Special Needs

BOROUGH OF AVALON SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

SCHEDULE OF AUDITED ENROLLMENTS

	2016-2017 Application for State School Aid		Sample for Verification	
	Reported on A.S.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income	Sample Selected from Workpapers	Verified to Application and Register
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	-	-	-	-
Special Ed - Elementary	-	-	-	-
Special Ed - Middle School	-	-	-	-
Special Ed - High School	-	-	-	-
Subtotal	-	-	-	-
Co. Voc. - Regular	-	-	-	-
Co. Voc. - FT Post Sec.	-	-	-	-
Totals	-	-	-	-
Percentage Error	0.00%	0.00%	0.00%	0.00%

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 3,746,052.72	(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 Pre-K Regular	-	(B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	-	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	(337,649.13)	(B2a)
Assets Acquired Under Capital Leases	-	(B2b)
Adjusted 15-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>3,408,403.59</u>	(B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	<u>68,168.07</u>	(B4)
Enter greater of (B4) or \$250,000	250,000.00	(B5)
Increased by: Allowable Adjustment *	-	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	<u>250,000.00</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	1,504,737.25	(C)
Decreased by:		
Year-end Encumbrances	(48,339.36)	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	-	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	(71,206.19)	(C3)
Other Restricted Fund Balances ****	(1,010,039.79)	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	<u>(511.81)</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>374,640.10</u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U2)-(M)] IF NEGATIVE ENTER -0- 124,640.10 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>71,206.19</u>	(C3)
Reserved Excess Surplus ***[(E)]	<u>124,640.10</u>	(E)
Total [(C3) + (E) + (F)]	<u>195,846.29</u>	(D)

* This adjustment line (as detailed below) is to be utilized for Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, chapter 10), Extraordinary Aid, and Additional and Nonpublic School Transportation Aid; recognized current year School Bus Advertising Revenue; and 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	-	(H)
Sale & Lease-back	-	(I)
Extraordinary Aid	-	(J1)
Additional Nonpublic School Transportation Aid	-	(J2)
Current Year School Bus Advertising Revenue Recognized	-	(J3)
Family Crisis Transportation Aid	<u>-</u>	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>-</u>	(K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2016 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

**** 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 Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	<u>-</u>
Sale/lease-back reserve	<u>-</u>
Capital reserve	<u>465,971.79</u>
Maintenance reserve	<u>294,068.00</u>
Emergency reserve	<u>250,000.00</u>
Tuition reserve	<u>-</u>
School Bus Advertising 50% Fuel Offset Reserve - current year	<u>-</u>
School Bus Advertising 50% Fuel Offset Reserve - prior year	<u>-</u>
Impact Aid General Fund Reserve (Sections 8002 and 8003)	<u>-</u>
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	<u>-</u>
Other state/government mandated reserves	<u>-</u>
Other Restricted Fund Balance not noted above****	<u>-</u>
Total Other Reserved Fund Balance	<u>1,010,039.79</u> (C4)