

**BAY HEAD BOARD OF EDUCATION**  
**AUDITOR'S MANAGEMENT REPORT**  
**COUNTY OF OCEAN**  
**JUNE 30, 2016**

**Robert A. Hulsart & Company**  
**Certified Public Accountants**  
**2807 Hurley Pond Road, Suite 100**  
**Wall, New Jersey 07719**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND PERFORMANCE**

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# Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

1.

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## REPORT OF INDEPENDENT AUDITORS

Honorable President and Members  
of the Board of Education  
Bay Head School District  
County of Ocean, 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 general-purpose financial statements of the Board of Education of the Bay Head School District in the County of Ocean, for the year ended June 30, 2016, and have issued our report thereon dated November 14, 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 Bay Head 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.

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Licensed Public School Accountant  
No. 322  
**ROBERT A. HULSART AND COMPANY**

November 14, 2016

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

### **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.

#### **Officials Bond**

| <b><u>Name</u></b>      | <b><u>Position</u></b> | <b><u>Amount</u></b> |
|-------------------------|------------------------|----------------------|
| Patricia A. Christopher | Business Administrator | \$ 140,000           |
| Patricia A. Wojcik      | Treasurer              | 140,000              |
| Laurie M. Considine     | Board Secretary        | 140,000              |

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees.

#### **Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made the necessary adjustments in regards to these changes.

### **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**

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 Account. (Net salary and agency are held in one account).

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

### **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 reportable conditions.

### **Treasurer's Records**

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

### **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 special projects indicated no areas of noncompliance.

### **T.P.A.F. Reimbursement**

Our audit procedures included a test of the semi monthly reimbursement forms filed with 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, 2015 N.J.S. 18A:18A-3 was amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000.00 the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

## **School Purchasing Programs (Continued)**

### **Contracts and Agreements Requiring Advertisement for Bids (Continued)**

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S. 18A:18A-4 is amended to read as follows:

- a. Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. Transportation 18A:39-3 is currently \$18,800.00.

The 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.

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 provisions of N.J.S.A. 18A:18A-4.

### **Student Body Activities**

Our review of the student activity funds found no exceptions.

### **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, 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.

### **Pupil Transportation**

Our procedures included a review of transportation related contracts. 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 contracted services.

**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. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification. The results of our procedures are summarized in the Summary of Expenditure Coding Testing.

**Follow-up on Prior Years' Findings**

There were no prior year audit 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 staff.

**2% Calculation of Excess Surplus**

|   |                     |
|---|---------------------|
| 2015-16 Total General Fund Expenditures Per the CAFR      | \$ 3,413,660        |
| Decreased by:   |                     |
| On-Behalf TPAF Pension & Social Security                  | <u>(233,541)</u>    |
| Adjusted 2015-16 General Fund Expenditures                | <u>\$ 3,180,119</u> |
| 2% of Adjusted 2015-16 General Fund Expenditures          | <u>\$ 63,602</u>    |
| Enter Greater of Above or \$250,000                       | \$ 250,000          |
| Increased by Allowable Adjustments                        | <u>12,996</u>       |
| Maximum Unassigned/Undesignated – Unreserved Fund Balance | <u>\$ 262,996</u>   |

**Section 2**

|  |                   |
|--|-------------------|
| Total General Fund – Fund Balance @ 6-30-16                            | \$ 1,568,816      |
| Decreased by:  |                   |
| Restricted Fund Balance:   |                   |
| Other Reserves   | (1,142,694)       |
| Assigned Fund Balance:   |                   |
| Designated for Encumbrances  | (78,196)          |
| Designated for Subsequent Years Expenditures – Excess Surplus          | (23,075)          |
| Designated for Subsequent Years Expenditures – Unassigned Fund Balance | <u>(6,996)</u>    |
| Total Unassigned Fund Balance  | <u>\$ 317,855</u> |
| Reserved Fund Balance – Excess Surplus                                 | <u>\$ 54,859</u>  |

**Section 3**

|   |                  |
|---|------------------|
| Excess Surplus-Designated for Subsequent Years Expenditures | \$ 23,075        |
| Reserve Fund Balance – Excess Surplus                       | <u>54,859</u>    |
|   | <u>\$ 77,934</u> |

**Detail of Allowable Adjustment**

|                                 |                  |
|---------------------------------|------------------|
| Extraordinary Aid               | \$ 11,778        |
| Nonpublic Public Transportation | <u>1,218</u>     |
|                                 | <u>\$ 12,996</u> |

**Detail of Other Restricted Fund Balance**

|                                     |                     |
|-------------------------------------|---------------------|
| Capital Reserve                     | \$ 334,869          |
| Maintenance Reserve                 | 156,309             |
| Emergency Reserve                   | 174,133             |
| Lease Purchase Reserve              | <u>477,383</u>      |
| Total Other Restricted Fund Balance | <u>\$ 1,142,694</u> |



**BAY HEAD SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

Sheet 1 of 2

**ENROLLMENT AS OF OCTOBER 15, 2015**

|                             | 2015-2016 Application for State School Aid |          |                    |          |           |           | Sample for Verification |          |                   |          |                      |           | Private Schools for Disabled |              |          |           |
|-----------------------------|--|----------|--------------------|----------|-----------|-----------|-------------------------|----------|-------------------|----------|----------------------|-----------|------------------------------|--------------|----------|-----------|
|                             | Reported On                                |          | Reported on        |          | Errors    |           | Sample Selected         |          | Verified Per      |          | Errors Per Registers |           | Reported On                  | Sample for   | Sample   | Sample    |
|                             | A.S.S.A. on Roll                           |          | Workpapers on Roll |          |           |           | from Workpapers         |          | Registers on Roll |          | on Roll              |           | A.S.S.A. as                  | Verification | Verified | Errors    |
|                             | Full                                       | Shared   | Full               | Shared   | 0         | Shared    | Full                    | Shared   | Full              | Shared   | Full                 | Shared    | Private Schools              | Verification | Verified | Errors    |
| Full Day Kindergarten       | 16   |          | 16                 |          |           |           | 16                      |          | 16                |          |                      |           |                              |              |          |           |
| One                         | 9  |          | 9                  |          |           |           | 9                       |          | 9                 |          |                      |           |                              |              |          |           |
| Two                         | 10   |          | 10                 |          |           |           | 10                      |          | 10                |          |                      |           |                              |              |          |           |
| Three                       | 17   |          | 17                 |          |           |           | 17                      |          | 17                |          |                      |           |                              |              |          |           |
| Four                        | 19   |          | 19                 |          |           |           | 19                      |          | 19                |          |                      |           |                              |              |          |           |
| Five                        | 14   |          | 14                 |          |           |           | 14                      |          | 14                |          |                      |           |                              |              |          |           |
| Six                         | 19   |          | 19                 |          |           |           | 19                      |          | 19                |          |                      |           |                              |              |          |           |
| Seven                       | 19   |          | 19                 |          |           |           | 19                      |          | 19                |          |                      |           |                              |              |          |           |
| Eight                       | 19   |          | 19                 |          |           |           | 19                      |          | 19                |          |                      |           |                              |              |          |           |
| Subtotal                    | <u>142</u>                                 | <u>0</u> | <u>142</u>         | <u>0</u> |           | <u>0</u>  | <u>142</u>              | <u>0</u> | <u>142</u>        | <u>0</u> | <u>0</u>             | <u>0</u>  | <u>0</u>                     | <u>0</u>     | <u>0</u> | <u>0</u>  |
| Special Ed. - Elementary    | 4  |          | 4                  |          |           |           | 4                       |          | 4                 |          |                      |           |                              |              |          |           |
| Special Ed. - Middle School | 3  |          | 3                  |          |           |           | 3                       |          | 3                 |          |                      | 1         | 1                            | 1            |          |           |
| Special Ed.- High School    |  |          |                    |          |           |           |                         |          |                   |          |                      |           |                              |              |          |           |
| Subtotal                    | <u>7</u>                                   | <u>0</u> | <u>7</u>           | <u>0</u> |           | <u>0</u>  | <u>7</u>                | <u>0</u> | <u>7</u>          | <u>0</u> | <u>0</u>             | <u>0</u>  | <u>1</u>                     | <u>1</u>     | <u>1</u> | <u>0</u>  |
| Totals                      | <u>149</u>                                 | <u>0</u> | <u>149</u>         | <u>0</u> |           | <u>0</u>  | <u>149</u>              | <u>0</u> | <u>149</u>        | <u>0</u> | <u>0</u>             | <u>0</u>  | <u>1</u>                     | <u>1</u>     | <u>1</u> | <u>0</u>  |
| Percentage Error            |  |          |                    |          | <u>0%</u> | <u>0%</u> |                         |          |                   |          | <u>0%</u>            | <u>0%</u> |                              |              |          | <u>0%</u> |

BAY HEAD SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

LOW INCOME - N/A

LEP STUDENTS - N/A

|                             | <u>Low Income</u>  |                      |               | <u>Sample for Verification</u> |                     |               |
|-----------------------------|--------------------|----------------------|---------------|--------------------------------|---------------------|---------------|
|                             | <u>Reported on</u> | <u>Reported on</u>   | <u>Errors</u> | <u>Sample</u>                  | <u>Verified to</u>  | <u>Sample</u> |
|                             | <u>A.S.S.A. as</u> | <u>Workpapers</u>    |               | <u>Selected from</u>           | <u>Application</u>  |               |
|                             | <u>Low Income</u>  | <u>as Low Income</u> |               | <u>Workpapers</u>              | <u>and Register</u> | <u>Errors</u> |
| Full Day Kindergarten       |                    |                      |               |                                |                     |               |
| One                         |                    |                      |               |                                |                     |               |
| Two                         |                    |                      |               |                                |                     |               |
| Three                       |                    |                      |               |                                |                     |               |
| Four                        |                    |                      |               |                                |                     |               |
| Five                        |                    |                      |               |                                |                     |               |
| Six                         |                    |                      |               |                                |                     |               |
| Seven                       |                    |                      |               |                                |                     |               |
| Eight                       |                    |                      |               |                                |                     |               |
| Subtotal                    | -                  | -                    | -             | -                              | -                   | -             |
| Special Ed. - Elementary    |                    |                      |               |                                |                     |               |
| Special Ed. - Middle School |                    |                      |               |                                |                     |               |
| Subtotal                    |                    |                      |               |                                |                     |               |
| Totals                      |                    |                      |               |                                |                     |               |
| Percentage Error            |                    |                      | <u>0%</u>     |                                |                     | <u>0%</u>     |

|                                | <u>Transportation</u> |                    |               |               |                 |               |
|--------------------------------|-----------------------|--------------------|---------------|---------------|-----------------|---------------|
|                                | <u>Reported on</u>    | <u>Reported on</u> | <u>Errors</u> | <u>Tested</u> | <u>Verified</u> | <u>Errors</u> |
|                                | <u>DRTRS by</u>       | <u>DRTRS by</u>    |               |               |                 |               |
|                                | <u>DOE/County</u>     | <u>District</u>    |               |               |                 |               |
| Reg. - Public Schools          | 4                     | 4                  |               | 4             | 4               |               |
| Reg. Special Ed.               | 1                     | 1                  |               | 1             | 1               |               |
| Transported - Non-Public       | 7                     | 7                  |               | 7             | 7               |               |
| Special Ed. With Special Needs | 1                     | 1                  |               | 1             | 1               |               |
| Totals                         | <u>13</u>             | <u>13</u>          | <u>0</u>      | <u>13</u>     | <u>13</u>       | <u>0</u>      |
| Percentage Error               |                       |                    | <u>0%</u>     |               |                 | <u>0%</u>     |

|   | <u>Reported</u> | <u>Recalculated</u> |
|---|-----------------|---------------------|
| Avg. Mileage - Regular Including Grade PK Students Part A | 19.70           | 19.70               |
| Special Average - Special Education With Special Needs    | 12.20           | 12.20               |