

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, 2016**

**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
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, 2016, and have issued our report thereon dated November 19, 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 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
November 19, 2016

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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.

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.

Financial Planning, Accounting and Reporting (continued):

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.

Employee Position Control Roster

An inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit, 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 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-4 states, "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. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A.18A:18A-3 except by contract or agreement." 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 \$29,000 (without a Qualified Purchasing Agent), respectively. The law

School Purchasing Programs (continued):

regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800 for 2015-16. The Bradley Beach School District currently has a Qualified Purchasing Agent.

The district Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year (contract year for July 1, 2015 and thereafter). 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 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 school food service program was not selected as a major federal and/or State program. However, the program expenditures did exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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, 2015 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 Years' Findings:

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. There was no findings in the prior year.

We have also reviewed any findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC). Corrective action had been taken on all findings in the report dated December 2015.

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
November 19, 2016

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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, 2015

	2016-2017 Application for State School Aid				Sample for Verification				Private Schools for Disabled						
	Reported on		Workpapers		Selected from		Registers		Errors per		Reported on		Sample		
	On Roll	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	As Reported	Sample	Verification	Sample
Half Day Preschool - 3 Yrs															
Full Day Preschool - 3 Yrs															
Half Day Preschool - 4 Yrs	10		10		5			5							
Full Day Preschool - 4 Yrs															
Half Day Kindergarten	21		21		11			11							
Full Day Kindergarten	27		27		14			14							
One	31		31		16			16							
Two	28		28		15			15							
Three	24		24		12			12							
Four	31		31		16			16							
Five	34		34		18			18							
Six	20		20		10			10							
Seven	24		24		13			13							
Eight															
Nine															
Ten															
Eleven															
Twelve															
Subtotal	250		250		130			130							
Special Ed - Elementary	27		27		14			14							
Special Ed - Middle School	20		20		10			10			3	3	3	3	3
Special Ed - High School															
Subtotal	47		47		24			24			3	3	3	3	3
Totals	297		297		154			154			3	3	3	3	3
Percentage Error															

SCHEDULE OF AUDITED ENROLLMENTS (2)

BRADLEY BEACH BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	Resident Low Income			Resident LEP Low Income		
	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
Half Day Preschool - 3 Yrs	15	15		8	8	
Full Day Preschool - 3 Yrs	18	18		12	12	
Half Day Preschool - 4 Yrs	24	24		11	11	
Full Day Preschool - 4 Yrs	20	20		13	13	
Half Day Kindergarten	15	15		1	1	
Full Day Kindergarten	25	25		4	4	
One	19	19		11	11	
Two	9	9		6	6	
Three	9	9		6	6	
Four	3	3		1	1	
Five	5	5		3	3	
Six	2	2		1	1	
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Subtotal	164	164		49	49	
Special Ed - Elementary	19	19		5	5	
Special Ed - Middle	14	14		9	9	
Special Ed - High	1	1				
Subtotal	34	34		5	5	
Co.Voc.-Regular						
Totals	198.0	198.0		54	54	
Percentage Error						

	Sample for Verification			Sample for Verification		
	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
One	10	10		7	7	
Two	13	13		10	10	
Three	15	15		9	9	
Four	12	12		11	11	
Five	9	9		1	1	
Six	15	15		4	4	
Seven	11	11				
Eight	6	6				
Nine	1	1				
Ten	3	3				
Eleven	1	1				
Twelve						
Subtotal	102	102		42	42	
Special Ed - Elementary	11	11		3	3	
Special Ed - Middle	9	9				
Special Ed - High						
Subtotal	20	20		3	3	
Co.Voc.-Regular						
Totals	122	122		45	45	
Percentage Error						

	Transportation		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors
Reg. - Public Schools, col. 1	38	38	
Reg - SpEd, col. 4	6	6	
ALL, col. 2	2	2	
Transported - Non-Public, col. 3	13	13	
Special Ed Spec, col. 6	7	7	
Totals	66	66	
Percentage Error			

SCHEDULE OF AUDITED ENROLLMENTS (3)

**BRADLEY BEACH BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	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	1	1		1	1	
Three						
Four						
Five						
Six	1	1		1	1	
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Subtotal	3	3		3	3	
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal						
Totals	3	3		3	3	
Percentage Error			-0-			-0-

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 7,397,269.26 (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	\$ 636,463.84 (B2a)
Assets Acquired Under Capital Leases	\$ (B2b)
Adjusted 2014-2015 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 6,760,805.42 (B3)
2% of adjusted 2015-2016 General Fund Expenditures [(B3) times .02]	\$ 135,216.11 (B4)
Enter Greater of (B4) or \$250,000	\$ 250,000.00 (B5)
Increased By: Allowable Adjustment*	\$ 26,852.00 (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 276,852.00 (M)

SECTION 2

Total General Fund – Fund Balances @ 6/30/2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,283,771.90 (C)
Decreased By:	
Year-end Encumbrances	\$ 8,773.40 (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ 222,322.88 (C3)
Other Restricted Fund Balances****	\$ 455,000.00 (C4)
Assigned Fund Balance - Unreserved – Designated for Subsequent Year’s Expenditures	\$ 65,000.12 (C5)
Total Unassigned Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 532,675.50 (U1)

EXCESS SURPLUS CALCULATION (continued):

SECTION 3

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0- \$ 255,823.50 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserve Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ <u>222,322.88</u> (C3)
Reserved Excess Surplus***[(E)]	\$ <u>255,823.50</u> (E)
 Total [(C3)+(E)]	 \$ <u>478,146.38</u> (D)

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, 2016 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	\$ _____ (H)
Sale & Lease-Back	\$ _____ (I)
Extraordinary Aid	\$ <u>25,098.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>1,754.00</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	 \$ <u>26,852.00</u> (K)

- * This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.
- * Amounts must agree to the June 30, 2016 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	\$ 115,000.00
Maintenance reserve	\$ 90,000.00
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	 \$ 455,000.00 (C4)