

**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, 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  
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, 2016, and have issued our report thereon dated November 08, 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 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  
November 08, 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>
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

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 regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800 for 2015-16. The Eatontown 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 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 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 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**

No exceptions were noted.

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2016 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 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 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  
November 08, 2016

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**ADDITIONAL INFORMATION**

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**SCHEDULE OF AUDITED ENROLLMENTS (1)**

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

	2015-2016 Application for State School Aid										Sample for Verification				Private Schools for Handicapped				
	Reported on A.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 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	10	-	10	-	-	-	2	-	2	-	-	-	-	-	-	-	-	-	
Full Day Kindergarten	103	-	103	-	-	-	22	-	22	-	-	-	-	-	-	-	-	-	
One	95	-	95	-	-	-	25	-	25	-	-	-	-	-	-	-	-	-	
Two	98	-	98	-	-	-	26	-	26	-	-	-	-	-	-	-	-	-	
Three	102	-	102	-	-	-	24	-	24	-	-	-	-	-	-	-	-	-	
Four	86	-	86	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	
Five	76	-	76	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	
Six	84	-	84	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	
Seven	83	-	83	-	-	-	19	-	19	-	-	-	-	-	-	-	-	-	
Eight	85	-	85	-	-	-	25	-	25	-	-	-	-	-	-	-	-	-	
Subtotal	822	-	822	-	-	-	203	-	203	-	-	-	-	-	-	-	-	-	
Sp Ed - Elementary	156	-	156	-	-	-	32	-	32	-	-	-	-	4	4	4	4	-	
Sp Ed - Middle School	71	-	71	-	-	-	19	-	19	-	-	-	-	-	-	-	-	-	
Subtotal	227	-	227	-	-	-	51	-	51	-	-	-	-	4	4	4	4	-	
Totals	1,049	-	1,049	-	-	-	254	-	254	-	-	-	-	4	4	4	4	-	
Percentage Error																			-0-

SCHEDULE OF AUDITED ENROLLMENTS (2)

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

	Low Income				Sample for Verification				Resident LEP Low Income				Sample for Verification						
	Reported on A.S.A. As Free/Reduced Full	Shared	As Free/Reduced Full	Shared	Errors Full	Shared	Sample Selected from Workpapers Full	Shared	Verified to Application & Register Full	Shared	Sample Errors	Reported on A.S.A. as LEP low Income	Shared	Reported on Workpapers as LEP low Income	Shared	Sample Selected from Workpapers	Shared	Verified to Test Score and Register	Sample Errors
Full Day Kindergarten	45	-	45	-	-	-	17	-	17	-	-	8	-	8	-	6	-	6	-
One	50	-	50	-	-	-	21	-	21	-	-	15	-	15	-	12	-	12	-
Two	51	-	51	-	-	-	14	-	14	-	-	6	-	6	-	5	-	5	-
Three	36	-	36	-	-	-	16	-	16	-	-	2	-	2	-	2	-	2	-
Four	32	-	32	-	-	-	16	-	16	-	-	2	-	2	-	2	-	2	-
Five	35	-	35	-	-	-	13	-	13	-	-	1	-	1	-	1	-	1	-
Six	31	-	31	-	-	-	13	-	13	-	-	1	-	1	-	1	-	1	-
Seven	32	-	32	-	-	-	14	-	14	-	-	1	-	1	-	1	-	1	-
Eight	38	-	38	-	-	-	17	-	17	-	-	-	-	-	-	0	-	0	-
Subtotal	350	-	350	-	-	-	141	-	141	-	-	36	-	36	-	30	-	30	-
Sp Ed - Elementary	105	-	105	-	-	-	34	-	34	-	-	2	-	2	-	2	-	2	-
Sp Ed - Middle School	49	-	49	-	-	-	22	-	22	-	-	-	-	-	-	-	-	-	-
Subtotal	154	-	154	-	-	-	56	-	56	-	-	2	-	2	-	2	-	2	-
Totals	504	-	504	-	-	-	197	-	197	-	-	38	-	38	-	32	-	32	-
Percentage Error	-0-																		

TRANSPORTATION

	Reported on DRTRS By DOE	Reported on DRTRS By District	Amount Verified	Errors
Regular - Public Schools Col 1	75	75	51	-
Regular - Special Ed Col 4	51	51	35	-
AIL Col 2	39	39	27	-
Transported - Nonpublic Col 3	83	83	56	-
Special Needs - Public Col 6	52	52	35	-
Totals	300	300	204	-
Percentage Errors	-0-			



**SCHEDULE OF AUDITED ENROLLMENTS (3)**

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

	<b>Resident LEP NOT Low Income</b>			<b>Sample for Verification</b>		
	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
Full Day Kindergarten	7	7	-	5	5	-
One	3	3	-	3	3	-
Two	3	3	-	2	2	-
Three	2	2	-	1	1	-
Five	1	1	-	1	1	-
Eight	1	1	-	1	1	-
Subtotal	17	17	-	13	13	-
Special Ed - Elementary	1	1	-	1	1	-
Subtotal	1	1	-	1	1	-
Totals	18	18	-	14	14	-
Percentage Error			-0-			-0-

**REGULAR DISTRICT**

**SECTION 1**

**2% Calculation of Excess Surplus**

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 19,325,672.88 (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	\$ 2,124,887.98 (B2a)
Assets Acquired Under Capital Leases	\$ - (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 17,200,784.90 (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ 344,015.70 (B4)
Enter Greater of (B4) or \$250,000	\$ 344,015.70 (B5)
Increased By: Allowable Adjustment*	\$ 11,966.00 (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 355,981.70 (M)

**SECTION 2**

Total General Fund – Fund Balances @ 6/30/2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 4,728,199.71 (C)
Decreased By:	
Year-end Encumbrances	\$ 751,985.38 (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ - (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures**	\$ 802,754.66 (C3)
Other Restricted Fund Balances****	\$ 1,573,233.32 (C4)
Assigned Fund Balance - Unreserved – Designated for Subsequent Year's Expenditures	\$ - (C5)
Total Unassigned Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 1,600,226.35 (U1)

**SECTION 3**

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0-	\$ 1,244,244.65 (E)
---	---------------------

**Recapitulation of Excess Surplus as of June 30, 2016**

Reserve Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ 802,754.66 (C3)
Reserved Excess Surplus***[(E)]	\$ 1,244,244.65 (E)
Total Excess Surplus [(C3)+(E)]	\$ 2,046,999.31 (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, 2016 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	\$	-	(H)
Sale & Lease-Back	\$	-	(I)
Extraordinary Aid	\$	-	(J1)
Additional Nonpublic School Transportation Aid	\$	11,966.00	(J2)
Current Year School Bus Advertising Revenue Recognized	\$	-	(J3)
Family Crisis Transportation Aid	\$	-	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$	11,966.00	(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.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:			
Approved unspent separate proposal	\$	-	
Sale/lease-back reserve	\$	-	
Capital reserve	\$	996,232.92	
Maintenance reserve	\$	435,000.00	
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	\$	1,573,233.32	(C4)