

OCEAN GATE SCHOOL DISTRICT

Ocean Gate, New Jersey
County of Ocean

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
for The Year Ended June 30, 2016**

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

TABLE OF CONTENTS

	PAGE
Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance	1
Scope of Audit	3
Administrative Practices and Procedures:	
Insurance	3
Official Bonds	3
Tuition Charges	N/A
Financial Planning, Accounting and Reporting:	
Examination of Claims	3
Payroll Account	3
Employee Position Control Roster	4
Reserve for Encumbrances and Accounts Payable	4
Classification of Expenditures	4
Board Secretary's Records	4
Treasurer's Records	4
Elementary & Secondary School Education Act (E.S.E.A.), as amended by the Improving America's Schools Act of 1994 (I.A.S.A.)	4
Other Special Federal and/or State Project	5
T.P.A.F. Reimbursement	5
School Purchasing Programs:	
Contracts & Agreements Requiring Advertisement for Bids	5
School Food Service	6
Student Body Activities	6
Application for State School Aid	6
Public Transportation	7
Follow-up on Prior Year Findings	7
Acknowledgment	7
Additional Information:	
Schedule of Audited Enrollments	11
Excess Surplus Calculation	13



HOLMAN | FRENIA
ALLISON, P.C.
Certified Public Accountants & Consultants

680 Hooper Avenue, Bldg B, Suite 201, Toms River, NJ 08753 • Tel: 732.797.1333
618 Stokes Road, Medford, NJ 08055 • Tel: 609.953.0612
912 Highway 33, Suite 2, Freehold, NJ 07728 • Tel: 732.409.0800
6 E. Park Street, P.O. Box 614, Bordentown, NJ 08505 • Tel: 609.298.8639
795 Canton Street, Troy, PA 16947 • Tel: 570.297.5090
926 Main Street, Suite 103, Rome, PA 18837 • Tel: 570.297.5090
www.hfacpas.com

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

Honorable President and Members
of the Board of Education
Ocean Gate Board of Education
County of Ocean
Ocean Gate, 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 Ocean Gate School District in the County of Ocean for the year ended June 30, 2016, and have issued our report thereon dated November 17, 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 Ocean Gate 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.

Respectfully submitted,

HOLMAN FRENIA ALLISON, P. C.

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

Freehold, New Jersey
November 17, 2016

This page intentionally left blank.



**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>
John Failla	Business Administrator/ Board Secretary	150,000.00
Stephen Brennan	Treasurer of School Monies	150,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Insurance covering all other employees with multiple coverage of \$5,000.00.

Adequacy of insurance coverage is the responsibility of the Board of Education.

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.

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):

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:23-1.2 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. 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 transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding 2016-001:

One budgetary line account was over-expended for the fiscal year ended June 30, 2016.

Recommendation:

That the District conservatively budget appropriations to cover architectural and engineering costs that may potentially cause over-expenditure of a line-item account.

Management's Response:

This finding will be corrected in the fiscal year ending June 30, 2017.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer of School Monies were found to be in satisfactory condition

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, II, IV, and 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

The District's Special State Projects were approved as listed on Exhibit 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 for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 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 Ocean Gate Board of Education 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 not 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 did not 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.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G.

Student Body Activities

Our review of the student activity funds 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, bilingual and low-income. 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 has adequate written procedures 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 contracts and purchases. Based on our 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 purchases 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. There were no prior year findings.

We have also reviewed any findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC). There were no items for corrective action.

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 17, 2016

This page intentionally left blank.

ADDITIONAL INFORMATION

This page intentionally left blank

SCHEDULE OF AUDITED ENROLLMENTS (1)

**OCEAN GATE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	2015-2016 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Sample		Verified per		Errors per	
	A.S.S.A.		Workpapers				Selected from		Registers		Registers	
	On Roll		On Roll		Workpapers		On Roll		On Roll			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool	14		14				10		10			
Full Day Kindergarten	23		23				16		16			
One	16		16				11		11			
Two	13		13				9		9			
Three	10		10				7		7			
Four	17		17				12		12			
Five	8		8				5		5			
Six	15		15				10		10			
Subtotal	116		116				80		80			
Special Ed - Elementary	19		19				13		13			
Special Ed - Middle School	5		5				3		3			
Subtotal	24		24				16		16			
Totals	140		140				96		96			
Percentage Error					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>	<u>0.00%</u>	

SCHEDULE OF AUDITED ENROLLMENTS (2)

**OCEAN GATE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	Resident 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
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	17	17		13	13	
One	11	11		8	8	
Two	9	9		7	7	
Three	7	7		5	5	
Four	6	6		5	5	
Five	2	2		2	2	
Six	8	8		5	5	
Subtotal	60	60		45	45	
Special Ed - Elementary	13	13		10	10	
Special Ed - Middle	4	4		3	3	
Subtotal	17	17		13	13	
Totals	77	77		58	58	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	2	2		2	2	
Transported - Non-Public, col. 3	4	4		3	3	
Special Ed Spec, col. 6	1	1		1	1	
Totals	7	7		6	6	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$	<u>2,702,275.81</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$	<u> </u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u>15,080.30</u>	(B1b)
Transfer from General Fund to Special Revenue Fund for PreK-Regular	\$	<u> </u>	(B1c)
Transfer from General Fund to Special Revenue Fund for PreK-Inclusion	\$	<u> </u>	(B1d)
Decrease by:			
On-Behalf TPAF Pension & Social Security	\$	<u>296,576.52</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u> </u>	(B2b)
 Adjusted 2015-2016 General Fund Expenditures [(B)+(B1s)-(B2s)]	 \$	 <u><u>2,405,699.29</u></u>	 (B3)
 2% of adjusted 2015-2016 General Fund Expenditures [(B3) times .02]	 \$	 <u>48,114.00</u>	 (B4)
Enter Greater of (B4) or \$250,000	\$	<u>250,000.00</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u>696.00</u>	(K)
 Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	 \$	 <u><u>250,696.00</u></u>	 (M)

SECTION 2

Total General Fund - Fund Balance @ 6-30-2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$	<u>1,202,668.55</u>	(C)
Decreased by:			
Year-End Encumbrances	\$	<u>51,777.92</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Year's Expenditures	\$	<u>-</u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$	<u>214,399.37</u>	(C3)
Other Restricted Fund Balances ****	\$	<u>402,871.00</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$	<u>1,028.63</u>	(C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	 \$	 <u><u>532,591.63</u></u>	 (U)

REGULAR DISTRICTS (continued):

SECTION 3

Restricted Fund Balance - Excess Surplus *** {(U)-(M)} IF NEGATIVE ENTER -0- \$ 281,895.63 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>214,399.37</u> (C3)
Reserved Excess Surplus *** [(E)]	\$ <u>281,895.63</u> (E)
 Total Excess Surplus [(C3) + (E)]	 \$ <u><u>496,295.00</u></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	\$ <u>-</u> (H)
Sale & Lease-back	<u>-</u> (I)
Extraordinary Aid	<u>-</u> (J1)
Additional Nonpublic School Transportation Aid	<u>696.00</u> (J2)
Current Year School Bus Advertising Revenue Recognized	<u>-</u> (J3)
Family Crisis Transportation Aid	<u>-</u> (J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 \$ <u><u>696.00</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 Audit Summary Worksheet 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 another 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.

REGULAR DISTRICTS (continued):

SECTION 3 (continued)

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$	-
Sale/Lease-Back Reserve		-
Capital Reserve		56,000.00
Maintenance Reserve		190,356.00
Emergency Reserve		156,515.00
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	\$	<u>402,871.00</u> (C4)

This page intentionally left blank.