

RED BANK SCHOOL DISTRICT

Red Bank, 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
Red Bank School District
Red Bank, 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 Red Bank School District in the County of Monmouth for the year ended June 30, 2016, and have issued our report thereon dated November 23, 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 Red Bank 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 23, 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>
Debra Pappagallo	Board Secretary/School Business Administrator	\$ 100,000.00
Frank Mason	Treasurer	275,000.00

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The District made a proper adjustment to the billings to sending districts for the decrease in per pupil cost in accordance with N.J.A.C.6A:23A-17.1(f)3.

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.

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.

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

The records maintained by the treasurer 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 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 and/or questionable costs.

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 tests of compliance for the major federal and state programs selected did not indicate any areas of noncompliance.

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

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 Teacher's 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

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

School Purchasing Programs (continued):

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.

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

Student Body Activities

A minimal cash receipts and disbursements record was maintained in satisfactory condition. The financial transactions of the student body activities were maintained in satisfactory condition.

Application for State School Aid (ASSA)

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 government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action was taken on all prior year finding.

We have also reviewed any findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC). There was not report by the OFAC during the current year.

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.

A handwritten signature in black ink, appearing to read 'R. W. Allison', with a long horizontal stroke extending to the left.

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

Freehold, New Jersey
November 23, 2016

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ADDITIONAL INFORMATION

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SCHEDULE OF AUDITED ENROLLMENTS (1)

RED BANK SCHOOL DISTRICT
 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		Workpapers		Sample Selected		Verified Per		Errors Per		Reported on ASSA		Sample	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool	94		94		20		20							
Full Day Kindergarten	123		123		26		26							
One	151		151		32		32							
Two	133		133		28		28							
Three	114		114		24		24							
Four	112		112		24		24							
Five	96		96		20		20							
Six	108		108		23		23							
Seven	96		96		20		20							
Eight	79		79		17		17							
Subtotal	1,106		1,106		234		234							
Sp Ed - Elementary	106		106		22		22							
Sp Ed - Middle School	42		42		9		9							
Subtotal	148		148		31		31							
Totals	1,254		1,254		265		265							
Percentage Error														

-0-

-0-

SCHEDULE OF AUDITED ENROLLMENTS (2)

RED BANK SCHOOL DISTRICT
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.S.A. As Free/Reduced Full	Shared	Reported on Workpapers As Free/Reduced Full	Shared	Errors Full	Shared	Sample Selected from Workpapers Full	Shared	Verified to Application & Register Full	Shared	Reported or A.S.S.A. as LEP low Income	Errors	Sample Selected from Workpapers	Shared	Verified to Test Score and Register	Sample Errors
Full Day Kindergarten	118		118				27	27	27		92	92	42	42	42	42
One	143		143				32	32	32		109	109	50	50	50	50
Two	129		129				29	29	29		75	75	35	35	35	35
Three	114		114				26	26	26		49	49	22	22	22	22
Four	110		110				25	25	25		18	18	9	9	9	9
Five	90		90				20	20	20		11	11	6	6	6	6
Six	105		105				24	24	24		7	7	4	4	4	4
Seven	89		89				20	20	20		4	4	2	2	2	2
Eight	78		78				18	18	18		3	3	2	2	2	2
Subtotal	976		976				221	221	221		368	368	172	172	172	172

Sp Ed - Elementary	102		102				23	23	23		52	52	25	25	25	25
Sp Ed - Middle School	44		44				10	10	10							
Subtotal	146		146				33	33	33		52	52				
Totals	1,122		1,122				254	254	254		420	420	172	172	172	172

Percentage Error -0- -0- -0-

TRANSPORTATION

	Reported on		Reported on		Amount	
	DRTRS By DOE	DRTRS By District	DRTRS Errors	DRTRS Tested	Amount Verified	Amount Errors
Regular - Public Schools Col 1	69	69	-	43	43	-
Regular - Special Ed Col 4	10	10	-	6	6	-
AIL Col 2	13	13	-	33	33	-
Transported - Nonpublic Col 3	54	54	-	8	8	-
Special Needs - Public Col 6	38	38	-	24	24	-
Totals	184	184	-	114	114	-

Percentage Errors -0- -0- -0-

SCHEDULE OF AUDITED ENROLLMENTS (3)

**RED BANK SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.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						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	2	2		1	1	
One	1	1		1	1	
Two						
Three						
Four	1	1		1	1	
Five						
Six	1	1		1	1	
Seven						
Eight						
Subtotal	<u>5</u>	<u>5</u>		<u>4</u>	<u>4</u>	
Special Ed - Elementary						
Special Ed - Middle						
Subtotal						
Totals	<u><u>5</u></u>	<u><u>5</u></u>		<u><u>4</u></u>	<u><u>4</u></u>	
Percentage Error			<u><u>-0-</u></u>			<u><u>-0-</u></u>

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 18,790,193.60 (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	\$ 300,000.00 (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ (B1d)
Decreased By:	
On-Behalf TPAF Pension & Social Security	\$ 1,537,317.27 (B2a)
Assets Acquired Under Capital Leases	\$ (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 17,552,876.33 (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ 351,057.53 (B4)
Enter Greater of (A10) or \$250,000	\$ 351,057.53 (A11)
Increased By: Allowable Adjustment*	\$ 80,244.00 (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 431,301.53 (M)

SECTION 2

Total General Fund – Fund Balances @ 6/30/2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 4,253,884.14 (C)
Decreased By:	
Year-end Encumbrances	\$ 688,197.72 (C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	\$ (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures**	\$ 408,317.05 (C3)
Other Restricted Fund Balances****	\$ 2,009,095.10 (C4)
Assigned Fund Balance - Unreserved – Designated for Subsequent Year's Expenditures	\$ 45,535.79 (C5)
Total Unassigned Fund Balance[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 1,102,738.48 (U1)

SECTION 3

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] If negative enter -0- \$ 671,436.95 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserve Excess Surplus – Designated for Subsequent Year’s Expenditures**	\$ 408,317.05 (C3)
Reserved Excess Surplus***[(E)]	\$ <u>671,436.95</u> (E)
Total [(C3)+(E)]	\$ <u>1,079,754.00</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, 2015 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>77,982.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>2,262.00</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ (J3)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ <u>80,244.00</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 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.

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$
Sale/lease-back reserve	\$
Capital reserve	\$ <u>1,059,906.21</u>
Maintenance reserve	\$ <u>949,188.89</u>
Emergency reserve	\$
Tuition reserve	\$
School Bus Advertising 50% Fuel Offset Reserve - current year	\$
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$
Other state/government mandated reserve	\$
[Other Restricted Fund Balance not noted above]****	\$
Total Other Restricted Fund Balance	\$ <u>2,009,095.10</u> (C4)