

***CITY OF BAYONNE
SCHOOL DISTRICT
COUNTY OF HUDSON, NEW JERSEY***

***AUDITORS MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

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*CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
HIGHLAND PARK, N.J.*

**CITY OF BAYONNE BOARD OF EDUCATION
HUDSON COUNTY, NEW JERSEY**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
City of Bayonne School District
Hudson County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, the basic financial statements of the Board of Education of the City of Bayonne School District in the County of Hudson for the year ended June 30, 2018, and have issued our report thereon dated January 25, 2019.

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 Board of Education of the City of Bayonne 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.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants



Robert S. Morrison
Certified Public Accountant
Public School Accountant #871

January 25, 2019
Highland Park, New Jersey

ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

SCOPE OF AUDIT

The audit covered the financial transactions of the School Business Administrator, the activities of the Board of Education and the records of the various funds under the auspices of the Board of Education.

The audit did not and could not determine the character of services rendered for which payment had been made nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the approval of such claims. Revenues and receipts were established and verified as to sources and amount only insofar as the records permitted.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20 of the District's CAFR. The details of the various additional insurance coverages by the Board are also presented on this Exhibit. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Board of Education.

Official Bonds

The following positions were covered by Surety Bonds:

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Leo Smith	Business Administrator/ Custodian of School Monies	\$495,000.00
Dr. Gary Maita	Board Secretary	\$495,000.00

The surety bond coverage for the Board Secretary/Business Administrator exceeded the minimum requirement as promulgated by the Department of Education.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. Differences in actual costs, as certified by the Department of Education pursuant to the provisions of N.J.A.C. 6A: 23-3.1(f) 3, from estimated costs billed by the Board during the period were adjusted as required.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

Claims were examined for the period under review and were found to be in good order. No discrepancies were noted with respect to signatures, certifications or supporting documentation.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Cont'd.)

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 Accounts.

All payrolls were reviewed and reconciled to payroll disbursement requests by the Business Office. Tests were made of these records with no exceptions noted.

Finding:

The payroll registers presented to us for audit did not contain approvals by the Superintendent or certifications by the President of the Board and the Board Secretary or School Business Administrator. Instead, payrolls were presented to the Board of Education for approval/ratification, with payroll registers available to answer any inquiries.

It is recommended:

That payroll registers be approved by the Superintendent and certified by the President of the Board, the Board Secretary or School Business Administrator and the Chief School Administrator as required by the NJDOE.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to general fund.

During the year under examination, the School Business Administrator's Office performed procedures to allow for the formal proof of payroll account transactional activity on a monthly basis. This record was found to be suitable to allow for the identification of funds on hand.

Findings:

The District's overtime policies do not currently require documentation of pre-approvals/authorization of overtime by supervisors, department heads, principals or other administrative staff.

Tests of overtime worked timesheets indicated instances wherein employees submitted timesheets for overtime worked that covered multiple pay periods, and in one instance for a period that covered eight months.

Overtime timesheets require supervisory approvals prior to submission. However, these approvals may have become perfunctory, as there is no evidence submitted which indicates that supervisors were on site to verify employee attendance and supervise employees working overtime hours.

Tests of overtime worked timesheets indicated instances where supervisors, department heads and principals worked overtime and submitted overtime timesheets that they had certified as both employee and supervisor.

Prior to the submission of overtime to the Payroll Office for processing, consolidated Payroll Exception Reports are prepared summarizing time worked and aggregating costs by budgetary responsibility area. The Payroll Exception Reports require the signatures of an appropriate supervisor, the School Business Administrator, and the Superintendent of Schools. However, there is no formal certification or statement of purpose for these signatures.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Cont'd.)

Payroll Account (Continued)

Although overtime costs are included in payrolls submitted to the Board of Education for approval/ratification, detailed overtime reports showing the amounts of overtime costs incurred and the budgetary responsibility areas where overtime was utilized are currently not required by Board Policy.

The conditions noted above suggest that a review of Board Policy relating to the authorization, supervision and reporting of overtime may be appropriate. The District's internal controls over overtime costs would be improved if pre-approval forms which identified causation and estimated work time were required (excluding emergent situations), if biometric time and attendance systems could be installed economically, and if detailed reports of overtime incurred were prepared for senior management's review as part of the normal payroll reporting process. In the absence of system changes that would capture overtime hours as they are worked, the Board should also consider the appropriateness of a policy expansion that requires employees working overtime to submit timesheets within a reasonable period (one payroll cycle) from the time the overtime was worked.

It is recommended:

That the Board of Education consider modifications to existing Board Policies relating to overtime to improve internal controls over the authorization, supervision, and reporting of overtime costs.

Employee Health Benefits

A test of the employee health benefits was made to determine eligibility and appropriate employee contribution rates. No exceptions were noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report for all federal awards for the District to reimburse the State for the TPAF Pension and Social Security 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 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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered. Unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services rendered as of June 30.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Cont'd.)

Reserve for Encumbrances and Accounts Payable (Cont'd.)

Finding:

Instances were noted during testing wherein purchase orders were generated on the District's accounting system subsequent to the receipt of invoices from vendors providing goods or services. These purchase orders are referred to as "confirming orders", as they confirm a commitment rather than initiating it. One of the objectives of encumbrance accounting is to use the encumbrance process to determine that there are sufficient unexpended budgetary balances available to pay for the requisitioned items prior to formally committing the District to the purchase. The existence of confirming orders for items subject to budgetary limits exposes the District to the risk of overexpenditures. We also noted significant numbers of confirming orders in the records of the Food Service Fund. However, as there are no formal budgets for enterprise funds, encumbrance accounting is used to demonstrate supervisory approvals and an appropriate vendor selection process.

It is recommended:

That the requisition and purchase order process be utilized for all purchases to minimize the risk of budgetary overexpenditures and to demonstrate compliance with District purchasing practices.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A: 23-2.2(f) 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: 23-8.2. As a result of the procedures performed we found no discrepancies in the classification of expenditures and no additional procedures were deemed necessary to test the propriety of the expenditure classification.

Board Secretary's Records

The minutes maintained by the Board Secretary were found to be in good condition.

General Fixed Assets

During the period under review the general fixed asset accounting and reporting system was maintained satisfactorily to provide for all the required financial information for the preparation of the statement of changes in general fixed assets.

Elementary and Secondary Education Act (E.S.E.A.) as Amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A./NCLB 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, III and IV of the Elementary and Secondary Education Act as amended and reauthorized.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Cont'd.)

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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms 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

N.J.S.A. 18A:18A-3 states"

"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 \$17,500.00, 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 quotes. If the purchasing agent is qualified pursuant to subsection b. 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 \$25,000. Such authorization may be granted for each contract or by general delegation of the power to negotiate and award such contracts pursuant to this section."

"b. Commencing in the fifth year after the year in which P.L. 1999. c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section to the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1, of the year in which it is made."

Contracts and Agreements Requiring Advertisement for Bids

"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. of N.J.S.18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

SCHOOL PURCHASING PROGRAMS (CONT'D.)

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the 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 thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (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 currently \$19,000 for 2017-18.

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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of the 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 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.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

Any interpretation as to possible violation of statute(s) would be in the province of the Board's solicitor.

Pay-to-Play Law (N.J.S.A. 19:44A-20.4 et seq.)

The existing laws and regulations have created a situation wherein the aggregated purchases from individual vendors may not trigger the provisions of the Local Public Schools Contracts Law, but do require vendors to disclose business ownership information and any political contributions made. In any instance wherein the District's total purchases from a vendor, excluding purchases made in conformity with fair and open contracts provisions, exceeds \$17,500, the District must require such vendor(s) to submit this documentation. In many instances, multiple individual purchases may aggregate to an amount exceeding the statutory threshold with no individual purchase order exceeding this threshold.

SCHOOL PURCHASING PROGRAMS (CONT'D.)

Pay-to-Play Law (N.J.S.A. 19:44A-20.4 et seq.) (Cont'd.)

Finding:

Audit tests of vendors for whom the value of purchase orders issued, net of any contracts awarded pursuant to a fair and open contract process during the 2017-18 school year, exceeded \$17,500, revealed a 14% noncompliance rate relative to N.J.S.A. 19:44A-20.4 et seq.)

It is recommended:

That an additional system cap on aggregate vendor purchase orders be established at \$17,500 to provide notification to the staff of the need to obtain pay-to-play documentation before any further orders are placed.

SCHOOL FOOD SERVICE FUND

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted. Inventory records for food and supplies were maintained current and were properly applied in determining the costs of food and supplies used.

The number of meals claimed for reimbursement were compared to underlying sales and meal count records. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. The required verification policy procedures for free and reduced price applications were completed and available for review.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Service employees in the service of the District. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. The District is depositing and expending program moneys in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months' average expenditures.

USDA Food Distribution program food and commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G. The Food Service Program does separate program and non-program revenue and cost of goods sold. However, the scope of our engagement did not include audit procedures to determine that this information was based upon USDA approved allocation procedures. Furthermore, documentation of any test period results was not provided to us. Total realized revenues, including both operating and non-operating, amounted to \$4,658,549 and total expenditures amounted to \$4,847,519 resulting in a net loss of \$188,970.

SCHOOL FOOD SERVICE FUND (CONT'D.)

During the current period, the Board did not make operating transfers to the Food Service fund. At June 30, 2018, the District reported a surplus of \$1,635,639 in the net position of its Food Service Fund.

STUDENT BODY ACTIVITIES

The recordkeeping of the various student activities funds was reviewed for the 2017-2018 school year. The records were maintained in generally good condition.

Finding:

Audit testing revealed some non-student related activities were being funded and expensed through the Student Activity Funds. These consisted predominantly of staff luncheons for retirees and similar faculty activities. In all cases noted by us, funding for these activities was deposited to the student activity accounts.

It is recommended:

That only financial activities by and for the students be financed and processed through the Student Activity Funds.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included tests of information reported in the October 13, 2017 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. for on-roll, private schools for the handicapped, and bilingual 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.

Finding:

It was found that many students tested were found to have been wrongly included as low income for ASSA purposes. These students were directly certified by the State of New Jersey to receive a free lunch for the 2016-2017 school year. However, they were not directly certified by the state for the 2017-2018 school year and did not return an approved free or reduced lunch application. Legally, these students are allowed a free or reduced lunch for the first 30 days of the school year in order to have ample time to return a lunch application. As the student count in 2017 was taken within the 30-day carryover period, the free and reduced price lunch rosters had not been updated to reflect the new application status, resulting in the exceptions noted. It is also possible that a corresponding undercount of newly eligible low income students also occurred due to the use of the old roster. We noted that the District had updated its eligibility rosters by the end of the 30-day carryover period.

It is recommended:

That prior to submitting its ASSA, the District should determine that low-income student counts are based upon current year approved NSLP applications.

PUPIL TRANSPORTATION

Our procedures included a test of on-roll status reported in the 2017-18 District Report of Resident Transported Students (DRTRS). The information 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 related contracts and purchases. 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 purchases of goods and services.

MISCELLANEOUS

Unemployment Trust Fund

Due to the financial conditions that were perceived to have existed at June 30, 2017, the District reclassified approximately \$208,000 of budgetary charges to fund self-insured unemployment claims, thus reducing the fund balance in this trust fund and creating an interfund loan payable to the general fund. During the 2017-2018 school year, unemployment claims paid or payable exceeded fund inflows from employee payroll withholdings and Board contributions. This would have led to the reporting of a deficit in the trust. However, as generally accepted accounting principles does not permit the carrying of interfund loans when the receiving fund does not have the financial resources to repay the loan, an audit adjustment was made to record a write down of the loan and reclassify that amount as a residual equity transfer from the general fund.

Testing for Lead of All Drinking Water in Educational Facilities

The District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

Internal Control Documentation

Every governmental entity is responsible for developing and maintaining a system of internal accounting controls which will provide reasonable assurance that transactions are properly authorized, executed and recorded in the financial records. The District meets this obligation through several methods, including the promulgation of Board Policies and the development of standard operating procedures, which can be either written or unwritten. We suggest the School District also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance.

STATUS OF PRIOR YEAR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations and corrective action had been taken on all prior year findings.

ACKNOWLEDGMENT

During the course of our audit, we received the complete cooperation of all the officials of the school district, and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Robert S. Morrison

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BAYONNE SCHOOL DISTRICT
 SCHEDULE OF MEAL COUNT ACTIVITY
 ENTERPRISE FUND
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -FEDERAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>FEDERAL RATE</u>	<u>(OVER)/ UNDER CLAIM</u>
National School Lunch (Severe Needs Rate)	Paid	127,857	127,857	127,857	-	0.33	\$ -
	Reduced	57,532	57,532	57,532	-	2.85	-
	Free	<u>598,957</u>	<u>598,957</u>	<u>598,957</u>	<u>-</u>	3.25	<u>-</u>
TOTAL		<u>784,346</u>	<u>784,346</u>	<u>784,346</u>	<u>-</u>		<u>\$ -</u>
National School Lunch	HHFKA - PB Lunch Only	<u>784,346</u>	<u>784,346</u>	<u>784,346</u>	<u>-</u>	0.06	<u>\$ -</u>
School Breakfast (Severe Need Rate)	Paid	244,460	244,460	244,460	-	0.30	\$ -
	Reduced	44,410	44,410	44,410	-	1.79	-
	Free	<u>419,595</u>	<u>419,595</u>	<u>419,595</u>	<u>-</u>	2.09	<u>-</u>
TOTAL		<u>708,465</u>	<u>708,465</u>	<u>708,465</u>	<u>-</u>		<u>\$ -</u>
Special Milk	Free*	<u>1,773</u>	<u>1,773</u>	<u>1,773</u>	<u>-</u>	0.23	<u>\$ -</u>
After School Snacks	Free (Area Eligible)	<u>49,085</u>	<u>49,085</u>	<u>49,085</u>	<u>-</u>	0.88	<u>-</u>
TOTAL		<u>49,085</u>	<u>49,085</u>	<u>49,085</u>	<u>-</u>		<u>\$ -</u>
Total Net (Over)/Under Claim:							<u>\$ -</u>

* Average cost per half pint, based on individual LEA's cost per half pint.

BAYONNE SCHOOL DISTRICT
 SCHEDULE OF MEAL COUNT ACTIVITY
 ENTERPRISE FUND
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -STATE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>NJ STATE RATE</u>	<u>(OVER)/ UNDER CLAIM</u>
NJ State Reimbursement -National School Lunch (Severe Needs Rate)	Paid	127,857	127,857	127,857	-	0.050	0.00
	Reduced	57,532	57,532	57,532	-	0.055	0.00
	Free	598,957	598,957	598,957	-	0.055	0.00
	TOTAL	<u>784,346</u>	<u>784,346</u>	<u>784,346</u>	<u> </u>		<u> </u>
Total Net (Over)/Under Claim							<u>\$ -</u>

NET CASH RESOURCE SCHEDULE

Net cash resources did/did not exceed three months of expenditures

Proprietary Funds - Food Service

FYE 2018

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 183,838
B-4		Due from Other Gov'ts	282,368
B-4		Accounts Receivable	0
B-4		Investments	0
CAFR		Current Liabilities	
B-4		Less Accounts Payable	220
B-4		Less Accruals	0
B-4		Less Due to Other Funds	0
B-4		Less Deferred Revenue	0
		Net Cash Resources	\$ 466,426.79
			(A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	4,847,519	
B-5	Less Depreciation	(168,899)	
	Adj. Tot. Oper. Exp.	\$ 4,678,620.00	(B)

Average Monthly Operating Expense:

	B / 10	\$ 467,862.00	(C)
--	--------	----------------------	-----

Three times monthly Average:

	3 X C	\$ 1,403,586.00	(D)
--	-------	------------------------	-----

TOTAL IN BOX A	\$	466,426.79	
LESS TOTAL IN BOX D	\$	1,403,586.00	
NET	\$	(937,159.21)	

From above:

**A is greater than D, cash exceeds 3 X average monthly operating expenses.
D is greater than A, cash does not exceed 3 X average monthly operating expenses.**

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

SCHEDULE OF AUDITED ENROLLMENTS

**BAYONNE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	2017-2018 Application for State School Aid						Sample for Verification				Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected From Workpapers		Verified per Registers On Roll		Errors per Register On Roll		Reported on A.S.S.A. Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 Years Old	362		362					13		13						
Half Day Preschool - 4 Years Old																
Full Day Preschool- 3 Years Old								2		2						
Full Day Preschool- 4 Years Old	37		37													
Half Day Kindergarten																
Full Day Kindergarten	618		618					15		15						
One	695		695					15		15						
Two	618		618					16		16						
Three	691		691					18		18						
Four	638		638					22		22						
Five	643		643					24		24						
Six	617		617					21		20			1			
Seven	634		634					20		20						
Eight	581		581					9		9						
Nine	556	78	556	78				22	4	22	4					
Ten	533	39	533	39				17	1	17	1					
Eleven	498	75	498	75				19	7	19	7					
Twelve	420	135	420	135				16	2	16	2					
Adult High School (15+ credits)																
Adult High School (1-14 credits)																
Subtotals	8,141	327	8,141	327				249	14	248	14		1			
Special Ed - Elementary	609		609					18		18			9	9	9	
Special Ed - Middle School	347		347					14		14			4	4	4	
Special Ed - High School Sent to CSSD	310	95	310	95				20	3	20	3		16	12	12	
Subtotals	1,266	95	1,266	95				52	3	52	3		29	25	25	
Totals	9,407	422	9,407	422				301	17	300	17		1	29	25	25
Percentage Error													0.33%			

SCHEDULE OF AUDITED ENROLLMENTS

**BAYONNE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	Low Income			Sample for Verification			Resident LEP 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	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Kindergarten	372.0	372.0		22	22		13	13		6	6	
One	460.0	460.0		28	27	1	37	37		18	18	
Two	355.0	355.0		25	23	2	24	24		15	15	
Three	451.0	451.0		26	26		30	30		16	16	
Four	396.0	396.0		22	18	4	28	28		13	13	
Five	390.0	390.0		23	22	1	25	25		11	11	
Six	355.0	355.0		22	21	1	17	17		6	6	
Seven	370.0	370.0		16	14	2	26	26		11	11	
Eight	319.0	319.0		12	10	2	19	19		9	9	
Nine	340.5	340.5		17	16	1	27	27		12	12	
Ten	325.0	325.0		15	13	2	21.5	21.5		13	13	
Eleven	306.5	306.5		16	16		23	23		10	10	
Twelve	255.0	255.0		15	12	3	9.5	9.5		6	6	
Subtotals	4,695	4,695		259	240	19	300	300		146	146	
Special Ed - Elementary	402	402		27	26	1	7	7		5	5	
Special Ed - Middle	263	263		12	10	2	6	6		3	3	
Special Ed - High	251	251		14	9	5	2	2		2	2	
Subtotals	916	916		53	45	8	15	15		10.0	10.0	
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec												
DYFS Residential Ctrs.	1	1										
Totals	5,612	5,612		312	285	27	315.0			156.0	156.0	
Percentage Error						8.7%						

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools (col. 1)	10	10		10	10	
Reg - Special Ed. (col.4)	403	403		197	197	
Transported - Non-Public (col. 3)						
Aid in Lieu- Charter	9	9		9	9	
OOD Public	10	10		10	10	
OOD Charter	1	1				
OOD Private	24	24		24	24	
OOD Spec. Trans. Needs	28	28		28	28	
Courtesy	1	1		1	1	
Totals	486	486		279	279	

	Reported	Recalculated
Reg. Avg. Mileage - Regular Inc. Grade PK students (Part A)	1.8	1.8
Spec. Ed With and Without Special Trans. Needs Mileage (B)	17.8	17.8
Courtesy Students' Mileage (Part C)	2.0	2.0

Percentage Error

SCHEDULE OF AUDITED ENROLLMENTS

**BAYONNE SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected From Workpapers	Verified per Test Score and Register	Sample Errors
Half Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	5	5.0		2	2	
One	7	7.0		3	3	
Two	5	5.0		2	2	
Three	5	5.0		2	2	
Four	7	7.0		5	5	
Five	4	4.0		1	1	
Six	4	4.0		1	1	
Seven	3	3.0		3	3	
Eight	5	5.0		2	2	
Nine	9.5	9.5		4	4	
Ten	7.5	7.5		4	4	
Eleven	5.0	5.0		3	3	
Twelve	3.0	3.0		1	1	
Adult High School (15+ credits)						
Adult High School (1-14 credits)						
Subtotals	70	70		33	33	
Special Ed-Elementary						
Special Ed - Middle School	1	1		1	1	
Special Ed - High School	1	1				
Subtotals	2	2		1	1	
C. Voc. - Regular						
C. Voc. Ft. Post Sec.						
Totals	<u>72</u>	<u>72</u>		<u>34</u>	<u>34</u>	
Percentage Error						

EXCESS SURPLUS CALCULATION

SECTION 1 - REGULAR DISTRICT

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR "C-1"	\$ <u>142,867,477.18</u> (B)
Increased by Applicable Operating Transfers:	
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 Pre-K Regular	\$ <u>0.00</u> (B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ <u>0.00</u> (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>18,972,966.77</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)
Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-B2s)]	<u>123,894,510.41</u> (B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$ <u>2,477,890.21</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>2,477,890.21</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>365,205.00</u> (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>2,843,095.21</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/18 (Per CAFR Budgetary Comparison schedule/statement)	\$ <u>3,213,312.39</u> (C)
Decreased by:	
Reserve for Encumbrances	\$ <u>188,705.74</u> (C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ _____ (C3)
Other Reserved Fund Balances****	\$ _____ (C4)
Assigned Unreserved Fund Balance - Designated for Subsequent Year's Expenditures	\$ _____ (C5)
Additional Assigned Fund Balance-Unreserved-Designated for Subsequent Year Expenditures July 1-August 1, 2018	\$ _____ (C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u>3,213,312.39</u> (U1)

SECTION 3

Restricted Fund Balance-Excess Surplus ***((U1-(M)) If negative enter -0- Recapitulation of Excess Surplus as of June 30, 2018	\$ <u>370,217.18</u> (E)
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures**	\$ <u>0.00</u> (C3)
Reserved Excess Surplus***(E)	\$ <u>370,217.18</u> (E)
Total Excess Surplus [(C3) +(E)]	\$ <u><u>370,217.18</u></u> (D)

Footnotes:

*Allowable adjustment to expenditures on line K must be 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 NJSA 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, for the year ending June 30, 2015, the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and 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 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4).

(I) Sale and Leaseback (Refer to 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

Notes to auditor: Refer to audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Non public School Transportation Aid

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ <u>365,205.00</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ _____	(J2)
Current year School Bus Advertising Rev. Recognized	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ <u>365,205.00</u>	(K)

** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2018 CAFR and must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved 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 any other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital Reserve	\$ _____
Maintenance Reserve	\$ _____
Emergency Reserve	\$ _____
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 (Sec. 8002 & 8003)	\$ _____
Impact Aid Capital Fund Reserve (Sec. 8007 & 8008)	\$ _____
Other state/government mandated reserve	\$ _____
(Other Restricted Fund Balance not noted above)****	\$ _____
 Total Other Reserved Fund Balance	 \$ <u>0.00</u> (C4)

CITY OF BAYONNE BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

That payroll registers be approved by the Superintendent and certified by the President of the Board, the Board Secretary or School Business Administrator, and the Chief School Administrator as required by the NJDOE.

That the Board of Education consider modifications to existing Board policies relating to overtime to improve internal controls over authorization, supervision, and reporting of overtime costs.

3. School Purchasing Programs

That the requisition and purchase order process be utilized for all purchases to minimize the risk of budgetary overexpenditures and to demonstrate compliance with District purchasing practices.

None

That an additional system cap on aggregate vendor purchase orders be established at \$17,500 to provide notification to the staff of the need to obtain pay-to-play documentation before any further orders are placed.

4. School Food Service

None

5. Student Body Activities

That only financial activities by and for the students be financed and processed through the Student Activity Funds.

6. Application for State School Aid

That prior to submitting its ASSA, the District should determine that low-income student counts are based upon current year approved NSLP applications.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no prior year recommendations. No correction action was required.