

**CITY OF BAYONNE SCHOOL DISTRICT  
MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS –  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2020**

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

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## INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the City of Bayonne School District, County of Hudson as of and for the year ended June 30, 2020, and have issued our report thereon dated March 4, 2021.

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 solely for the information and use of the City of Bayonne Board of Education's management, Board of Education members, others within the entity, and the New Jersey Department of Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*PKF O'Connor Davies, LLP*

Cranford, New Jersey  
March 4, 2021

A handwritten signature in black ink, appearing to read "Michael Andriola".

Michael Andriola, CPA  
Licensed Public School Accountant  
No. 2429

## Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary, 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 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>
Daniel Castles	School Business Administrator	\$ 510,000
Dr. Gary Maita	Board Secretary	510,000

The surety bond coverage for the School Business Administrator and Board Secretary 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. The actual costs were less than estimated costs. The District made a proper adjustment to the billings to sending Districts for the increase (decrease) in per pupil costs 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 did not indicate any discrepancies with respect to signatures, certification or supporting documentation and no discrepancies or exceptions were noted.

### Payroll Account and Position Control Roster

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 Business Administrator, Board Secretary, 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.

Position control roster was reviewed for accuracy 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 proper classification of orders as reserve for encumbrances and accounts payable and the following exception was noted:

#### Recommendation:

Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year-end audit.

#### 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 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 our randomly selected test samples, 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% overall 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 disclosed one exception as follows:

#### Recommendation:

The District should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

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

The E.S.E.A. 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 VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no instances of noncompliance and/or questionable costs.

#### Other Special Federal and/or State Projects

The District's special projects were approved as listed on Schedules A (K-3) and B (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 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.

#### T.P.A.F Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district 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.

### **Nonpublic State Aid**

Project completion reports were finalized and transmitted to the department by the due date.

### **School Purchasing Programs**

#### Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter, 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 currently \$19,000 for 2019-2020.

The District has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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.

The results of our examination, performed on a test basis, we 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 provisions 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*.

## **Enrollment Counts and Submissions to the Department**

Our audit procedures included a testing on enrollment information on October 15 and the last day of school for on-roll, special education, English Language Learners (ELL) and low-income. The results of our procedures are presented in the Schedule of Audited Enrollments. No discrepancies were noted.

## **Student Body Activities**

During our audit of the student activity funds, we did not note any exceptions.

## **Pupil Transportation**

Our audit procedures included a test of on-roll status reported in the 2019-2020 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. No discrepancies were noted.

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.

## **School Food Service**

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced price meal eligible students during the emergency.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; and applicable financial records to document the specific costs applicable to the emergency operations.

## **Miscellaneous**

Our audit procedures included a test of community education fund activities. During our testing we noted the following:

Finding 2020-001:

District personnel did not retain supporting documentation for six out of the twenty-three revenue transactions tested in the community education fund.

Recommendation:

Supporting documentation should be retained for all revenue transactions, reviewed for accuracy and reconciled to the deposits and general ledger activity.

### **Facilities and Capital Assets**

Our procedures included a review of the New Jersey Schools Development Authority (“NJSDA”) grant agreements for consistency with recording NJSDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted in our review of NJSDA expenditures.

### **Testing for Lead of All Drinking Water in Educational Facilities**

The school 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.

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g)

### **Follow-up on Prior Year’s Findings**

In accordance with Government Auditing Standards, our procedures included a review of all prior year’s recommendations. Corrective action was properly implemented on 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.



**SCHEDULE OF AUDITED ENROLLMENTS**

**CITY OF BAYONNE SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019**

	2020-2021 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				
Full Day Preschool- 4 Years Old	517.0		517.0					20.0		20.0						
Full Day Kindergarten	657.0		657.0					21.0		21.0						
One	709.0		709.0					26.0		26.0						
Two	636.0		636.0					22.0		22.0						
Three	612.0		612.0					25.0		25.0						
Four	606.0		606.0					23.0		23.0						
Five	659.0		659.0					25.0		25.0						
Six	629.0		629.0					22.0		22.0						
Seven	643.0		643.0					25.0		25.0						
Eight	631.0		631.0					26.0		26.0						
Nine	676.0	78.0	676.0	78.0				19.0	3.0	19.0	3.0					
Ten	461.0	47.0	461.0	47.0				16.0	2.0	16.0	2.0					
Eleven	434.0	92.0	434.0	92.0				17.0	5.0	17.0	5.0					
Twelve	432.0	109.0	432.0	109.0				17.0	4.0	17.0	4.0					
Subtotals	8,302.0	326.0	8,302.0	326.0				304.0	14.0	304.0	14.0					
Special Ed - Elementary	676.0		676.0					12.0		12.0			8.0	7.0	7.0	
Special Ed - Middle School	382.0		382.0					7.0		7.0			7.0	6.0	6.0	
Special Ed - High School Sent to CSSD	301.0	108.0	301.0	108.0				6.0		6.0			15.0	13.0	13.0	
Subtotals	1,359.0	108.0	1,359.0	108.0				25.0		25.0			30.0	26.0	26.0	
Totals	9,661.0	434.0	9,661.0	434.0				329.0	14.0	329.0	14.0		30.0	26.0	26.0	
Percentage Error																

**SCHEDULE OF AUDITED ENROLLMENTS**

**CITY OF BAYONNE SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019**

	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
Full Day Preschool 4 Years	320.0	320.0		19.0	19.0							
Full Day Kindergarten	372.0	372.0		22.0	22.0		18.0	18.0		8.0	8.0	
One	397.0	397.0		23.0	23.0		24.0	24.0		10.0	10.0	
Two	394.0	394.0		23.0	23.0		35.0	35.0		15.0	15.0	
Three	353.0	353.0		21.0	21.0		18.0	18.0		8.0	8.0	
Four	332.0	332.0		19.0	19.0		26.0	26.0		10.0	10.0	
Five	378.0	378.0		22.0	22.0		23.0	23.0		10.0	10.0	
Six	349.0	349.0		21.0	21.0		20.0	20.0		8.0	8.0	
Seven	345.0	345.0		20.0	20.0		29.0	29.0		11.0	11.0	
Eight	316.0	316.0		19.0	19.0		29.0	29.0		13.0	13.0	
Nine	290.5	290.5		16.0	16.0		26.0	26		11.0	11.0	
Ten	236.5	236.5		13.0	13.0		21.5	21.5		9.0	9.0	
Eleven	211.5	211.5		12.0	12.0		16.0	16		6.0	6.0	
Twelve	210.0	210.0		13.0	13.0		10.5	10.5		5.0	5.0	
Subtotals	4,504.5	4,504.5		263.0	263.0		296.0	296.0		124.0	124.0	
Special Ed - Elementary	437.0	437.0		23.0	23.0		6.0	6.0		3.0	3.0	
Special Ed - Middle	255.0	255.0		14.0	14.0		6.0	6.0		3.0	3.0	
Special Ed - High	208.5	208.5		12.0	12.0		2.5	2.5		1.0	1.0	
Subtotals	900.5	900.5		49.0	49.0		14.5	14.5		7.0	7.0	
Totals	5,405.0	5,405.0		312.0	312.0		310.5	310.5		131.0	131.0	

Percentage Error

	Transportation						Reported	Recalculated
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Regular - Public School	19	19						
Regular Special Education	462	462						
Non-Public Transportation								
Aid in Lieu- Non Public								
Special Needs	48	48						
Courtesy	4	4						
Totals	533	533						

Percentage Error

Reg. Avg. Mileage - Regular Inc. Grade PK students (Part A)	1.7	1.7
Spec. Ed With and Without Special Trans. Needs Mileage (B)	3.9	3.9
Courtesy Students' Mileage (Part C)	1.0	1.0

**SCHEDULE OF AUDITED ENROLLMENTS**

**CITY OF BAYONNE SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019**

	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
Full Day Kindergarten	3.0	3.0		1.0	1.0	
One	17.0	17.0		7.0	7.0	
Two	12.0	12.0		5.0	5.0	
Three	19.0	19.0		8.0	8.0	
Four	8.0	8.0		3.0	3.0	
Five	9.0	9.0		4.0	4.0	
Six	5.0	5.0		2.0	2.0	
Seven	11.0	11.0		5.0	5.0	
Eight	7.0	7.0		3.0	3.0	
Nine	21.0	21.0		9.0	9.0	
Ten	10.0	10.0		4.0	4.0	
Eleven	14.5	14.5		6.0	6.0	
Twelve	9.0	9.0		4.0	4.0	
Subtotals	145.5	145.5		61.0	61.0	
Special Ed-Elementary	6	6		3.0	3.0	
Special Ed - Middle School	2	2		1.0	1.0	
Special Ed - High School	2.0	2.0		1.0	1.0	
Subtotals	10.0	10.0		5.0	5.0	
C. Voc. - Regular						
C. Voc. Ft. Post Sec.						
Totals	<u>155.5</u>	<u>155.5</u>	<u>          </u>	<u>66.0</u>	<u>66.0</u>	<u>          </u>
Percentage Error			<u>          </u>			<u>          </u>

**EXCESS SURPLUS CALCULATION**

**SECTION 1 - REGULAR DISTRICT**

**A. 2% Calculation of Excess Surplus**

2019-20 Total General Fund Expenditures per the CAFR "C-1"	\$ <u>154,794,125</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>386,171</u>	(B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>21,708,248</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u>1,762,268</u>	(B2b)
Adjusted 2019-20 General Fund Expenditures [(B)+(B1s)-B2s]	<u>131,709,780</u>	(B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	\$ <u>2,634,197</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>2,634,197</u>	(B5)
Increased by: Allowable Adjustment*	\$ <u>0</u>	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$	<u><u>2,634,197</u></u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/20 (Per CAFR Budgetary Comparison schedule/statement)	\$ <u>13,258,005</u>	(C)
Decreased by:		
Reserve for Encumbrances	\$ <u>3,699,369</u>	(C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>2,574,068</u>	(C3)
Other Reserved Fund Balances****	\$ <u>1,809,894</u>	(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, 2020	\$ _____	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$	<u><u>5,174,674</u></u> (U1)

**SECTION 3**

Restricted Fund Balance-Excess Surplus ***((U1-(M)) If negative enter -0- <b><u>Recapitulation of Excess Surplus as of June 30, 2020</u></b>	\$	<u>2,540,477</u> (E)
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures**	\$	<u>2,574,068</u> (C3)
Reserved Excess Surplus***(E)	\$	<u>2,540,477</u> (E)
Total Excess Surplus [(C3) +(E)]	\$	<u><u>5,114,545</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, FamilyCrisis Transportation Aid, and Additional Non public School Transportation Aid

**Detail of Allowable Adjustments**

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(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)]	\$ _____	- (K)

\*\* This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amount must agree to the June 30, 2020 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	\$ 1,559,894
Maintenance Reserve	\$ 250,000
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	 \$ 1,809,894 (C4)

CITY OF BAYONNE SCHOOL DISTRICT  
AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year-end audit.

The District should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals and reconciliation to the underlying records.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

Supporting documentation should be retained for all revenue transactions, reviewed for accuracy and reconciled to the deposits and general ledger activity.

10. Status of Prior Year Audit Findings/Recommendations

A review of prior year findings during the current period indicates that corrective action had been taken on all prior year findings.