

**BOARD OF EDUCATION OF THE  
MARLBORO TOWNSHIP SCHOOL DISTRICT**

Marlboro, New Jersey  
County of Monmouth

**Auditor's Management Report on Administrative Findings -  
Financial, Compliance and Performance  
for The Year Ended June 30, 2015**



**MARLBORO TOWNSHIP SCHOOL DISTRICT  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**TABLE OF CONTENTS**

	<b>PAGE</b>
Report of Independent Auditors - Auditor's Management Report on Administrative Findings, Financial Compliance and Performance	1
Scope of Audit	2
Administrative Practices and Procedures:	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting:	
Examination of Claims	2
Payroll Account	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary & Secondary School Education Act (E.S.E.A.), as amended by the Improving America's Schools Act of 1994 (I.A.S.A.)	3
Other Special Federal and/or State Project	3
T.P.A.F. Reimbursement	4
T.P.A.F. Reimbursement to the State for Federal Salary Expenditures	4
School Purchasing Programs:	
Contracts & Agreements Requiring Advertisement for Bids	4
School Food Service	5
Student Body Activities	6
Application for State School Aid	6
Pupil Transportation	6
Follow-up on Prior Year Findings	6
Acknowledgment	7
Additional Information:	
Schedule of Audited Enrollments	11
Excess Surplus Calculation	14

*This page intentionally left blank*



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  
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](http://www.hfacpas.com)

**REPORT OF INDEPENDENT AUDITORS  
AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE**

Honorable President and Members  
of the Board of Education  
Marlboro Township School District  
County of Monmouth  
Marlboro, 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 Marlboro Township School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report thereon dated December 8, 2015.

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 Marlboro Township 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.

Kevin P. Frenia  
Public School Accountant  
Certified Public Accountant, No. 1011

Medford, New Jersey  
December 8, 2015

*This page intentionally left blank*



**ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**Scope of Audit**

The audit covered the financial transactions of the School Business Administrator/Board Secretary and Treasurer of School Moneys, 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

Insurance coverages were 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)

<b>Name</b>	<b>Position</b>	<b>Amount</b>
Cindy S. Barr-Rague	Business Administrator/Board Secretary	\$ 400,000

There is a Public Employee's Faithful Performance Blanket Position Bond with the Utica covering all other employees with multiple coverage of \$10,000,000.

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.

## **Financial Planning, Accounting and Reporting (continued)**

### Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll agency account.

All payrolls were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

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

Payrolls were delivered to the Secretary of the Board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

### 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: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 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.

### 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 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.



## **Financial Planning, Accounting and Reporting (continued)**

### Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and 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 forms 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(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 60 day grant liquidation period required by the Office of Grants Management. The District did not have any salaries paid from federal funds .

### **School Purchasing Programs**

#### Contracts and Agreements Requiring Advertisement for Bids

*N.J.S.A.18A:18A-1* et seq. (Public School Contracts Law), the associated rules and related information on the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

The bid thresholds in accordance with *N.J.S.A.18A:18A-2* and *18A:18A-3(a)* are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 \$18,300.00 for 2014-15.

The Board of Education 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.

## **School Purchasing Programs (continued)**

### Contracts and Agreements Requiring Advertisement for Bids (continued)

Based on the results of our examination 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 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 financial transactions and statistical records of the School Food Services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract included an operating results provision which guarantees that the food service program will return a profit of at least \$60,000.00. The operating results provision was met.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. 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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count record. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid application/ or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

### **School Food Service (continued)**

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

### **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, 2014 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped and low-income, and bilingual. We also performed a review of the district's procedures related to its completion. The information on the ASSA was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms of their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data.

### **Pupil Transportation**

Our audit procedures included a test of On Roll status reported in the 2014-2015 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 Years' Findings**

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. There were no prior year findings.

**Acknowledgment**

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Public School Accountant  
Certified Public Accountant, No. 1011

Medford, New Jersey  
December 8, 2015

**ADDITIONAL INFORMATION**

*This page intentionally left blank*

**SCHEDULE OF AUDITED ENROLLMENTS (1)**

**MARLBORO TOWNSHIP SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014**

	2014-2015 Application for State School Aid				Sample for Verification				Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Workpapers		Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Kindergarten	251		251		29		29							
One	424		424		25		25							
Two	475		475		23		23							
Three	499		499		42		42							
Four	537		537		34		34							
Five	557		557		45		45							
Six	549		549		30		30							
Seven	594		594		25		25							
Eight	604		604		23		23							
Subtotal	4,490		4,490		276		276							
Special Ed - Elementary	355		355		21		21							
Special Ed - Middle School	248		248		15		15							
Subtotal	603		603		36		36							
Totals	5,093		5,093		312		312							
Percentage Error														

SCHEDULE OF AUDITED ENROLLMENTS (2)

MARLBORO TOWNSHIP SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident Low Income			Sample for Verification			Resident LEP Low Income		
	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
Half Day Kindergarten	3	3		2	2		2	2	
One	18	18		10	10		3	3	
Two	10	10		6	6		3	3	
Three	18	18		10	10		3	3	
Four	22	22		13	13				
Five	21	21		12	12				
Six	16	16		9	9		1	1	
Seven	18	18		10	10		1	1	
Eight	17	17		10	10				
Subtotal	143	143		82	82		10	10	
Special Ed - Elementary	41	41		23	23		2	2	
Special Ed - Middle	20	20		11	11				
Subtotal	61	61		34	34		2	2	
Totals	204	204		116	116		12	12	

Percentage Error

Transportation

	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	2,626	2,626		227	227	
Reg.-SpEd, col. 4	291.5	291.5		25	25	
AIL, col. 2	165	165		14	14	
Transported - Non-Public, col. 3	129	129		11	11	
Special Ed Spec, col. 6	250.5	250.5		22	22	
Totals	3,462	3,462		299	299	

Percentage Error

Reported Recalculated  
3.8 3.8  
3.8 3.8  
6 6

Reg Avg.(Mileage) = Regular Including Grade PK students (Part A)  
Reg Avg.(Mileage) = Regular Excluding Grade PK students if applicable  
Spec Avg. = Special Ed with Special Needs



**SCHEDULE OF AUDITED ENROLLMENTS (3)**

**MARLBORO TOWNSHIP SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014**

	<b>Resident LEP NOT Low Income</b>			<b>Sample for Verification</b>		
	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 Kindergarten	16	16		14	14	
One	11	11		11	11	
Two	8	8		8	8	
Three	5	5		3	3	
Four	4	4		2	2	
Five						
Six	1	1		1	1	
Seven						
Eight	2	2				
<b>Subtotal</b>	<b>47</b>	<b>47</b>		<b>39</b>	<b>39</b>	
Special Ed - Elementary	8	8		3	3	
Special Ed - Middle	1	1				
<b>Subtotal</b>	<b>9</b>	<b>9</b>		<b>3</b>	<b>3</b>	
<b>Totals</b>	<b>56</b>	<b>56</b>		<b>42</b>	<b>42</b>	
Percentage Error						

MALBORO TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2015

**SECTION 1 - Regular District**

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

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 88,923,498	(B)
Increased by:		
Transfer to Food Service Fund	\$ -	(B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$ -	(B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ -	(B1c)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 8,003,375	(B2a)
Assets Acquired Under Capital Leases	\$ -	(B2b)
Adjustment for Disallowed Expenditures per S1701	\$ -	(B2c)
Adjusted 2014-2015 General Fund Expenditures [(B) + (B1s) - (B2s)]	\$ 80,920,123	(B3)
2% of Adjusted 2014-2015 General Fund Expenditures [(B3) times .02]	\$ 1,618,402	(B4)
Enter Greater of (B4) or \$250,000	\$ 1,618,402	(B5)
Increased by: Allowable Adjustment*	\$ 417,318	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5) + (K)]	\$ 2,035,720	(M)

**SECTION 2**

Total General Fund - Fund Balances at 6-30-2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 8,049,296	(C)
Decreased by:		
Reserved for Encumbrances	\$ 517,490	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		(C2)
Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ 391,564	(C3)
Other Reserved Fund Balances****	\$ 3,780,232	(C4)
Unreserved - Designated for Subsequent Year's Expenditures	\$ 750,000	(C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 2,610,010	(U1)
Increased by:		
Adjustment for Disallowed Transfers per S1701	\$ -	(C6)
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation (U1+C6)	\$ 2,610,010	(U2)

MALBORO TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2015

**SECTION 3**

Restricted Fund Balance - Excess Surplus ***		
[(U2)-(M)] IF NEGATIVE ENTER -0-	\$	<u>574,290</u> (E)

**Recapitulation of Excess Surplus as of June 30, 2015**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>391,564</u> (C3)
Reserved Excess Surplus *** [(E)]	\$	<u>574,290</u> (E)
 Total Excess Surplus [(C3)+(E)]	 \$	 <u>965,854</u> (D)

\* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), and Extraordinary Aid and Additional Nonpublic School Transportation Aid if applicable (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid).

**Detail of Allowable Adjustments**

Impact Aid	\$	<u>-</u> (H)
Sales & Lease-back	\$	<u>-</u> (I)
Extraordinary Aid	\$	<u>379,950</u> (J1)
Additional Nonpublic School Transportation Aid	\$	<u>37,368</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>417,318</u> (K)

\*\* This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

\*\*\* Amount must agree to the June 30, 2015 CAFR and the sum of the two lines 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 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.

MALBORO TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2015

**Detail of Other Reserved Fund Balance**

Statutory restrictions:

Approved unspent separate proposal	\$	-	
Sale/lease-back reserve	\$	-	
Capital reserve	\$	487,266	
Maintenance reserve	\$	3,292,966	
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 (Sections 8002 and 8003)	\$	-	
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$	-	
Other state/government mandated reserve	\$	-	
[Other Reserved Fund Balance not noted above]****	\$	-	****
Total Other Reserved Fund Balance	\$	3,780,232	(C4)

\*\*\*\* Amount reserved for the payment of debt service