

*Auditor's Management Report*

*for the*

*Matawan Aberdeen Regional  
School District*

*in the*

*County of Monmouth  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2015*



**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE  
FINDINGS FINANCIAL AND COMPLIANCE**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Accounts	2
Position Control Roster	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act (E.S.E.A)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001	3
Other Special Federal and/or State Projects	3
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4-5
School Food Service Funds	6
Student Body Activities	7
Pupil Transportation	7
Application for State School Aid	7
Follow-Up on Prior Year's Audit Finding	7
Recommendation	8
Application for State School Aid Summary Enrollment	9-11
Excess Surplus Calculation	12
Net Cash Resource Schedule – Food Service	13

**Tax ID Number 21-6000241**





# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail info@scnco.com

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Matawan-Aberdeen Regional School District  
County of Monmouth  
Aberdeen, New Jersey 07747

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Matawan Aberdeen Regional School District in the County of Monmouth for the year ended June 30, 2015, and have issued our report dated November 23, 2015.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the Matawan Aberdeen Regional School District, County of Monmouth, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 948

November 23, 2015

**Independent Auditor's Management Report of Administrative Findings Financial and Compliance**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Matawan-Aberdeen Regional School District Board of Education, the records of the various funds under the auspices of the Board of Education.

**Administrative Practices and Procedures**

**Insurance**

Insurance coverage was carried in the amounts as detailed in the District's CAFR. (See Exhibit J-20)

**Official Bonds**

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BOND</u>
Kenneth Jannarone	Treasurer of School Monies	\$350,000.00
Patrick S. DeGeorge	Board Secretary/ School Business Administrator	\$150,000.00
All Employees	Blanket Position Bond	\$1,000,000.00

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

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Payroll Accounts**

The net salaries of all employees of the Board were deposited in the Net 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 and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**Position Control Roster**

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

**Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, 2015 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:23-2.2 (g) 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 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 A-2.4 As a result of the procedures performed, no exceptions were noted.

**Board Secretary's Records**

The records maintained by the Board Secretary were in satisfactory condition.

**Treasurer's Records**

The records maintained by the Treasurer of School Monies were in satisfactory condition.

**Elementary and Secondary Education Act of 1965 (E.S.E.A.) / Improving America's Schools (IASA) as Reauthorized by the No Child Left Behind Act of 2001**

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 Title I, Title II, and Title III of the Elementary and Secondary Education Act.

**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.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**T.P.A.F. Reimbursement**

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts were used. No exceptions were noted.

**SCHOOL PURCHASING PROGRAMS**

**Contracts and Agreements Requiring Advertisement for Bids**

**N.J.S.A. 18A:18A-1, et seq. 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 \$26,000, 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 therefor, 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 quotations. 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 \$36,000.00. Such authorization may be granted for each contract or by a 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 or 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.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. 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 every year in which it is made. 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.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."



**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**SCHOOL PURCHASING PROGRAMS (CONTINUED)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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 therefor, except as is provided otherwise in this chapter or specifically by any other law."

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2010, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$26,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$36,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,300.00.

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 our 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 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.

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.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**School Food Service Funds**

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.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were properly computed and timely filed. Meals claimed agreed with the meal count records tested.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served 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 priced meal policy is uniformly administered throughout the School system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. The Board is depositing and expending program monies 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.

Cash Receipts and bank records were reviewed for timely deposit.

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

The District utilizes a food service management company 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 includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Food Distribution Program Commodities were received and an inventory was maintained on a first-in, first-out basis. No exceptions were noted

Exhibits reflecting Child Nutrition Program operations are included in Section G of the CAFR.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**Student Body Activities**

The records for the Student Body Activities were maintained in satisfactory condition.

**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 with minor exceptions. 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.

**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 onroll, private schools for the disabled, 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 with minor exceptions. 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.

**FACILITIES AND CAPITAL ASSETS**

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

**FOLLOW-UP ON PRIOR YEAR'S FINDINGS**

In accordance with government auditing standards, our procedures included a review of the status of prior year audit recommendations. Corrective action was taken on all prior year findings.

**Independent Auditor's Management Report of Administrative  
Findings Financial and Compliance**

**RECOMMENDATIONS**

That grant awards be properly established on the District's financial accounting records.

**MATAWAN - ABERDEEN REGIONAL SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2014**

**2015-16 Application for State School Aid (10/15/14 data)**

**Sample for Verification**

**Private School for Disabled**

	Reported as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Reported on Private Schools		Sample Verification		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool 3 years old	17		17				1		1										
Full Day Preschool 3 years old																			
Half Day Preschool 4 years old	32		32				3		3										
Full Day Preschool 4 years old																			
Half Day Kindergarten	327		327				26		26										
Full Day Kindergarten	302		302				24		24										
One	263		263				21		21										
Two	288		288				23		23										
Three	242		242				19		19										
Four	244		244				19		19										
Five	274		274				22		22										
Six	253		253				20		20										
Seven	259		259				20		20										
Eight	237		237				19		19										
Nine	242	1	242	1			18	2	18	2									
Ten	208	9	208	9			15	2	15	2									
Eleven	183	7	183	7			14	1	14	1									
Twelve	3371	17	3371	17			264	5	264	5									
Subtotal																			
Sp. Ed. - Elementary	215		215				17		17					4		3		3	
Sp. Ed. - Middle School	112		112				5		5					4		4		4	
Sp. Ed. - High School	112	51	112	51			4	4	4	4				15	12	12		12	
Subtotal	439	51	439	51			26	4	26	4				23	19	19		19	
Co. Voc. - Regular																			
Co. Voc. Ft. Post Sec.																			
Totals	3810	68	3810	17			290	9	290	9				23	19	19		19	
Percentage Error																			0%

**MAT AWAN - ABERDEEN REGIONAL SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014**

	Resident 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
Half Day Preschool 3 years old	81.0	81.0		18	18		18	18		15	15	
Half Day Preschool 4 years old	88.0	88.0		20	20		15	15		13	13	
Full Day Kindergarten	90.0	90.0		20	20		10	10		9	9	
One	72.0	72.0		16	16		3	3		3	3	
Two	75.0	75.0		17	17		1	1		1	1	
Three	56.0	56.0		13	13		1	1		1	1	
Four	66.0	66.0		15	14	1	2	2		2	2	
Five	74.0	74.0		17	17		4	4		3	3	
Six	74.0	74.0		17	17		2	2		2	2	
Seven	62.0	62.0		14	14							
Eight	67.0	67.0		15	15							
Nine	54.0	54.0		12	12							
Ten	45.5	45.5		10	10							
Eleven												
Twelve												
Subtotal	904.5	904.5		202	202	1	56	56		49	49	
Special Ed - Elementary	100.0	100.0		22	22		2	2		1	1	
Special Ed - High School	59.0	59.0		13	13	0						
Special Ed - Middle	72.0	72.0		16	16							
Subtotal	231.0	231.0		52	51	0	2	2		1	1	
Totals	1135.5	1135.5		254	253	1	58	58		50	50	
Percentage Error			0%			0.38%			0%			0%

**Transportation**

	Reported on DRTS by DOE/county			Reported on DRTS by District			Errors		
	Reported on	Tested	Verified	Reported on	Tested	Verified	Errors	Reported	Calculated
Reg - Public Schools, col. 2	994	193	193	994	193	193		3.4	3.4
Reg - SpEd, col. 8	66	13	13	66	13	13		3.4	3.4
Transported - Non-Public, col. 6	126	25	25	126	25	25		3.4	3.4
Special Ed Spec, col. 7	120	23	23	120	23	23		3.4	3.4
Totals	1,306	254	254	1,303	254	254		3.7	3.7
Percentage Error							0.23%		

Avg. Mileage - Regular Including Grade PK students  
Avg. Mileage - Regular Excluding Grade PK students  
Avg. Mileage - Special Ed with Special Needs

MATAWAN - ABERDEEN REGIONAL SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.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 3 years old						
Half Day Preschool 4 years old						
Half Day Kindergarten						
Full Day Kindergarten	3	3		3	3	3
One	4	4		3	3	3
Two	1	1		1	1	1
Three						
Four						
Five						
Six						
Seven						
Eight	1	1		1	1	1
Nine						
Ten	1	1		1	1	1
Eleven						
Twelve						
Subtotal	10	10		9	9	
Special Ed - Elementary	1	1		1	1	
Special Ed - Middle						
Special Ed - High						
Subtotal	1	1		1	1	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	11	11		10	10	
Percentage Error			0%			0%

## EXCESS SURPLUS CALCULATION

### SECTION 1

General Fund Expenditures: Fiscal Year Ended June 30, 2015		\$65,246,059.10
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		<u>2,601,000.00</u>
		67,847,059.10
Less: On-Behalf TPAF Pension & Social Security		<u>5,694,465.81</u>
Adjusted General Fund Expenditures		62,152,593.29
Excess Surplus Percentage		<u>2.00%</u>
Subtotal		1,243,051.87
Increased by:		
Extraordinary Aid (Unbudgeted)	\$31,167.00	
Non-Public Transportation Aid (Unbudgeted)	<u>17,723.00</u>	
		<u>48,890.00</u>
Maximum Unreserved/ Undesignated Fund Balance		<u><u>\$1,291,941.87</u></u>

### SECTION 2

Total General Fund Balance		\$11,795,797.90
Decreased by:		
Year End Encumbrances	\$1,320,811.74	
Legally Restricted:		
Excess Surplus -Designated for Subsequent Year's Expenditures	503,457.94	
Emergency Reserve	502,138.30	
Maintenance Reserve	3,302,404.17	
Capital Reserve	4,740,015.60	
Designated for Subsequent Year's Expenditures	<u>0.06</u>	
		<u>10,368,827.81</u>
Total Unassigned fund Balance		<u>1,426,970.09</u>
Reserved Fund Balance-Excess Surplus		<u><u>\$135,028.22</u></u>

### SECTION 3

Recapitulation of Excess Surplus as of June 30, 2015:		
Reserved Excess Surplus-Designated for Subsequent Years Expenditures		\$503,457.94
Reserved Excess Surplus		<u>135,028.22</u>
Total		<u><u>\$638,486.16</u></u>



**MATAWAN-ABERDEEN REGIONAL SCHOOL DISTRICT  
NET CASH RESOURCE SCHEDULE - FOOD SERVICE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

A School Food Authority is required to maintain a nonprofit School Food Service. The nonprofit status of the School Food Service is determined by evaluating net cash resources. Net cash resources may not exceed three months average expenditures.

As illustrated in the schedule below, the Districts Net Cash Resources (\$236,178.15) do not exceed three months average expenditures (\$486,546.87).

<b><u>Net Cash Resources:</u></b>		<b>Food Service B - 4/5</b>
<b>CAFR</b>	<b>Current Assets*</b>	
B-4	Cash & Cash Equivalents	\$193,007.21
B-4	Accounts Receivable	61,543.09
<b>CAFR</b>	<b>Current Liabilities</b>	
B-4	Less Unearned Revenue	<u>(18,372.15)</u>
	<b>Net Cash Resources</b>	<b><u><u>\$236,178.15</u></u> (A)</b>
<b><u>Net Adj. Total Operating Expense:</u></b>		
B-5	Tot. Operating Exp.	\$1,628,414.71
B-5	Less Depreciation	<u>(6,591.80)</u>
	Adj. Tot. Oper. Exp.	<b><u><u>\$1,621,822.91</u></u> (B)</b>
<b><u>Average Monthly Operating Expense:</u></b>		
	B / 10	<b><u><u>\$162,182.29</u></u> (C)</b>
<b><u>Three times monthly Average:</u></b>		
	3 X C	<b><u><u>\$486,546.87</u></u> (D)</b>

TOTAL IN BOX A	<u>\$236,178.15</u>	
LESS TOTAL IN BOX D	<u>(\$486,546.87)</u>	
NET	<b><u><u>(\$250,368.72)</u></u></b>	<b>&lt;&lt;--- Excess</b>
<b>A is greater than D, cash exceeds 3 X average monthly operating expenses.</b>		
<b>D is greater than A, cash does not exceed 3 X average monthly operating expenses.</b>		

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



