



**MANCHESTER TOWNSHIP SCHOOL DISTRICT
MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

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

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors’ Report.....	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 and Position Control Roster.....	2
Reserve for Encumbrances and Accounts Payable.....	3
Classification of Expenditures.....	3
General Classifications	
Administrative Classifications	
Board Secretary's Records.....	3
Treasurer's Records.....	3
Elementary and Secondary Education Act/Improving America’s Schools	
Act as reauthorized by the No Child Left Behind Act of 2001	3
Other Special Federal and/or State Projects	3
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids.....	4
School Food Service	5
Student Body Activities	5
Application for State School Aid.....	5
Pupil Transportation.....	5
Follow-up on Prior Year’s Findings	6
Acknowledgment	6
Schedule of Meal Count Activity.....	N/A
Net Cash Resource Schedule	N/A
Schedule of Audited Enrollments	7
Excess Surplus Calculation.....	10

INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Education
Manchester Township School District
County of Ocean, 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 financial statements of the Board of Education of the Manchester Township School District, County of Ocean as of and for the year ended June 30, 2016, and have issued our report thereon dated October 28, 2016.

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

This report is intended solely for the information and use of the Manchester Township 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.



David J. Garmon
Licensed Public School Accountant
No. 2305



WISS & COMPANY, LLP

Livingston, New Jersey
October 28, 2016

Scope of Audit

The audit covered the financial transactions of the Board Secretary/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.

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>
Craig Lorentzen	Board Secretary/School Business Administrator	\$ 120,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Western Surety Company covering all other employees with multiple coverage of \$1,000,000.

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 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

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 withholding 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 and no exceptions were noted.

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 no exceptions.

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

The E.S.E.A./I.A.S.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 Title I of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A./NCLB 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.

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 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

Not applicable to the District as it does not receive any nonpublic funds.

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 \$18,800.

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, indicated the following are for improvement.

Finding 2016-002

Finding

Pursuant to the State of New Jersey's Public School Contracts Law the District is required to obtain competitive quotations for any goods or services, not specifically exempted under the law, in which purchases in any year exceed \$6,000. Our testing revealed one instance in which a purchase exceeded the statutory threshold without the solicitation of competitive quotes.

Based on our testing only yielding one exception out of our entire sample, we believe this is an isolated incident and believe no corrective action is necessary.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

School Food Service

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management and appropriate school food service personnel as to whether the SFA had any Child Nutrition Program reimbursement over claims or under claims and as to whether the SFA's expenditures of food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the B-4 through B-6 section of the CAFR.

Student Body Activities

During our audit of the student activity funds, we did not note any opportunities for improvement.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, 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. was compared to the District work papers without exception. The information that was included on the work papers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained work papers on the prescribed state forms or their equivalent.

The District has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. The following opportunity for improvement was noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding 2016-001

Finding

Our testing over aid in lieu payments revealed several individuals that received payments for aid in lieu of transportation services, that met the requirements qualifying them for an aid in lieu payment, but were excluded from the District Report of Transported Resident Students in error.

Recommendation

We suggest the District ensure all individuals that are paid for aid in lieu of transportation services are included on the District Report of Transported Resident Students.

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.

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year's recommendations. However, there was no corrective action necessary in relation to the prior year.

Acknowledgment

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

MANCHESTER TOWNSHIP SCHOOL DISTRICT

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	2015-2016 Application for State School Aid						Sample for Verification						Private Schools for 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 Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool																	
Full Day Preschool	10		10		-		10		10		-						
Half Day Kindergarten	-		-				-		-								
Full Day Kindergarten	174		174		-	-	66		66		-	-					
One	166		166		-	-	63		63		-	-					
Two	187		187		-	-	37		37		-	-					
Three	188		188		-	-	37		37		-	-					
Four	209		209		-	-	100		100		-	-					
Five	169		169		-	-	77		77		-	-					
Six	196		196		-	-	196		196		-	-					
Seven	184		184		-	-	184		184		-	-					
Eight	195		195		-	-	195		195		-	-					
Nine	200		200		-	-	200		200		-	-					
Ten	223		223		-	-	223		223		-	-					
Eleven	179	21.0	179	21.0	-	-	179	21.0	179	21.0	-	-					
Twelve	172	24.0	172	24.0	-	-	172	24.0	172	24.0	-	-					
Post-Graduate																	
Adult H.S. (15+CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	2,452.0	45.0	2,452.0	45.0	-	-	1,739.0	45.0	1,739.0	45.0	-	-	-	-	-	-	-
Special Ed - Elementary	166		166		-	-	51		51		-	-	6.0	5	5	-	-
Special Ed - Middle School	118		118		-	-	116		116		-	-	6.0	5	5	-	-
Special Ed - High School	123	45.0	123	45.0	-	-	123	41.0	123	41.0	-	-	12.0	12	12	-	-
Subtotal	407.0	45.0	407.0	45.0	-	-	290.0	41.0	290.0	41.0	-	-	24.0	22.0	22.0	-	-
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	2,859.0	90.0	2,859.0	90.0	-	-	2,029.0	86.0	2,029.0	86.0	-	-	24.0	22.0	22.0	-	-
Percentage Error					0.00%	0.00%					0.00%	0.00%				0.00%	

SCHEDULE OF AUDITED ENROLLMENTS

**MANCHESTER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	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												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	51.0	51.0	-	11.0	11.0	-	4.0	4.0	-	3.0	3.0	-
One	57.0	57.0	-	17.0	17.0	-	2.0	2.0	-	2.0	2.0	-
Two	70.0	70.0	-	13.0	13.0	-	2.0	2.0	-	2.0	2.0	-
Three	72.0	72.0	-	14.0	14.0	-	3.0	3.0	-	3.0	3.0	-
Four	86.0	86.0	-	17.0	17.0	-	0.0	0.0	-	0.0	0.0	-
Five	55.0	55.0	-	15.0	15.0	-	2.0	2.0	-	2.0	2.0	-
Six	63.0	63.0	-	17.0	17.0	-	1.0	1.0	-	1.0	1.0	-
Seven	59.0	59.0	-	15.0	15.0	-	0.0	0.0	-	0.0	0.0	-
Eight	58.0	58.0	-	17.0	17.0	-	1.0	1.0	-	0.0	0.0	-
Nine	66.0	66.0	-	22.0	22.0	-	1.0	1.0	-	1.0	1.0	-
Ten	82.0	82.0	-	19.0	19.0	-	2.0	2.0	-	1.0	1.0	-
Eleven	56.0	56.0	-	10.0	10.0	-	0.0	0.0	-	0.0	0.0	-
Twelve	54.0	54.0	-	15.0	15.0	-	0.0	0.0	-	0.0	0.0	-
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	829.0	829.0	-	202.0	202.0	-	18.0	18.0	-	15.0	15.0	-
Special Ed - Elementary	57.0	57.0	-	13.0	13.0	-	1.0	1.0	0.0	1.0	1.0	0.0
Special Ed - Middle	55.0	55.0	-	19.0	19.0	-			0.0			0.0
Special Ed - High	75.0	75.0	-	20.0	20.0	-			0.0			-
Subtotal	187.0	187.0	-	52	52	-	1	1	-	1	1	-
Co. Voc. - Regular												
Co. Voc Ft. Post Sec.												
Totals	1,016.0	1,016.0	-	254	254	-	19	19	-	16	16	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Difference	Tested	Verified	Errors
Reg. - Public Schools	1,960.0	1,960.0	-	277	277	-
Reg -SpEd	60.5	60.5	-	-	-	-
Transported - Non-Public	106.0	106.0	-	14	14	-
Special Ed Spec	225.0	225.0	-	28	28	-
Totals	2,352	2,352	-	319	319	-
Percentage Error					0.00%	

	Reported	Recalculated
Reg Avg (Mileage) = Regular Including Grade PK students (Part A)	4.8	4.81
Reg Avg (Mileage) = Regular Excluding Grade PK students (Part B)	4.8	4.81
Spec Avg. = Special Ed with Special Needs	7.6	7.6

SCHEDULE OF AUDITED ENROLLMENTS

**MANCHESTER TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	1.0	1.0	-	0.0	0.0	-
One	1.0	1.0	-	1.0	1.0	-
Two	0.0	0.0	-	0.0	0.0	-
Three	0.0	0.0	-	0.0	0.0	-
Four	1.0	1.0	-	1.0	1.0	-
Five	1.0	1.0	-	1.0	1.0	-
Six	0.0	0.0	-	0.0	0.0	-
Seven	1.0	1.0	-	1.0	1.0	-
Eight	0.0	0.0	-	0.0	0.0	-
Nine	0.0	0.0	-	0.0	0.0	-
Ten	0.0	0.0	-	0.0	0.0	-
Eleven	0.0	0.0	-	0.0	0.0	-
Twelve	0.0	0.0	-	0.0	0.0	-
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>5.0</u>	<u>5.0</u>	<u>-</u>	<u>4.0</u>	<u>4.0</u>	<u>-</u>
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>0.0</u>	<u>0.0</u>	<u>-</u>	<u>0.0</u>	<u>0.0</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>5.0</u>	<u>5.0</u>	<u>-</u>	<u>4.0</u>	<u>4.0</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

MANCHESTER TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2016

SECTION 1 - Regular District

B. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 55,779,569 (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 PreK-Regular	\$ - (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ - (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 5,572,288 (B2a)
Assets Acquired Under Capital Leases	\$ 725,000 (B2b)
Adjusted 2015-16 General Fund Expenditures [(B) + (B1s) - (B2s)]	\$ 49,482,281 (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ 989,646 (B4)
Enter Greater of (B4) or \$250,000	\$ 989,646 (B5)
Increased by: Allowable Adjustment*	\$ 7,429 (K)
Maximum Unassigned/Undesignated - Unreserved Fund Balance [(B5) + (K)]	\$ 997,075 (M)

SECTION 2

Total General Fund - Fund Balances at 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 2,961,900 (C)
Decreased by:	
Year-end Encumbrances	\$ 11,881 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ 59,332 (C3)
Other Restricted Fund Balances****	\$ 1,023,391 (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ 248,469 (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 1,618,827 (U1)

MANCHESTER TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2016

SECTION 3

Restricted Fund Balance - Excess Surplus ***
[(U1)-(M)] IF NEGATIVE ENTER -0- \$ 621,752 (E)

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's
Expenditures ** \$ 59,332 (C3)
Reserved Excess Surplus *** [(E)] \$ 621,752 (E)

Total [(C3)+(E)] \$ 681,084 (D)

Allowable adjustment to expenditures on line K must be detailed as follows. This
* adjustment line (as detailed below) is to be utilized when applicable for:
(H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-
41 to permit a board of education to appropriate federal impact aid funds to
establish or supplement a federal impact aid legal reserve in the general fund.
Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid
adjustment to expenditures is limited to the portion of Federal Impact Aid Section
8002 and Section 8003 received during the fiscal year and recognized as revenue
on the General Fund Budgetary Comparison Schedule, but not transferred to the
Federal Impact Aid Reserve – General (8002 or 8003) by board resolution during
June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve
are captured on line (C4);
(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
(J1) Extraordinary Aid;
(J2) Additional Nonpublic School Transportation Aid;
(J3) Recognized current year School Bus Advertising Revenue; and
(J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

Impact Aid \$ - (H)
Sales & Lease-back \$ - (I)
Extraordinary Aid (J1)
Additional Nonpublic School Transportation Aid \$ 7,429 (J2)
Current Year School Bus Advertising Revenue Recognized \$ - (J3)
Family Crisis Transportation Aid \$ - (J4)

Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)] \$ 7,429 (K)

** This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included
in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2016 CAFR and must agree
to Audit Summary Worksheet 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.

MANCHESTER TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2016

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ -
Sale/lease-back reserve	\$ -
Capital reserve	\$ 700,000
Maintenance reserve	\$ 323,391
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	\$ -
Impact Aid Capital Fund Reserve	\$ -
Other state/government mandated reserves	\$ -
Other Restricted Fund Balance not noted above****	\$ -
Total Other Restricted Fund Balance	\$ 1,023,391 (C4)