

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



BAKER TILLY

Candor. Insight. Results.

**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
Metuchen School District
County of Middlesex, New Jersey

We have audited, in accordance with generally accepted auditing 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 Metuchen School District, County of Middlesex, as of and for the year ended June 30, 2016, and have issued our report thereon dated December 2, 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 of the Metuchen School District Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Robert A. Fodera".

Robert A. Fodera
Licensed Public School Accountant
No. CS-00262500

A handwritten signature in black ink that reads "Baker Tilly Virchow Krause, LLP".

Baker Tilly Virchow Krause, LLP

Iselin, New Jersey
December 2, 2016

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

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator 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

Fire insurance coverage was 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)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Harvier	Board Secretary	\$50,000
Rebecca Cuthbert	Treasurer	\$260,000
Vincent Caputo	Superintendent	\$2,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were greater or less than estimated costs depending upon the classification of students. 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.

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.

MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

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

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

Payrolls were delivered to the treasurer of school moneys with a warrant made to their order for the full amount of each payroll.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2016, 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 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% 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.

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer disclosed no exceptions.

Elementary and Secondary School 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./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary School Improvement Act as amended and reauthorized.

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

MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

Other Special Federal and/or State Projects

The District's special projects were approved as listed on Schedules A and 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.

The study of compliance for the special projects indicated no instances of noncompliance.

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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter, 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 transportation contracts under N.J.S.A. 18A:39-3 is currently \$17,500.

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.

The results of our examination indicated that no individual payments, contracts, or agreements were 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, amended.

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 transaction and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test basis.

Cash receipt and bank records were reviewed for timely deposit. No exceptions noted.

MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

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

Expenditures were 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. No exceptions were noted.

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 records. 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 applications and/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 commodities were received and a single inventory was maintained on a first-in, first out basis. No exceptions were noted.

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

Student Body Activities

During our review of the student activity funds, no exceptions were noted.

MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE

Application for State School Aid (ASSA)

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (ASSA) 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 ASSA was compared to the District work papers with certain exceptions. The information that was included on the work papers was verified without 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.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2014-15 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 related 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 year findings

Not Applicable

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.

Metuchen Board of Education

SCHEDULE OF AUDITED ENROLLMENTS

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

	2016-2017 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 Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool	11	-	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	3	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	119	-	119	-	-	-	15	-	15	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One	146	-	146	-	-	-	23	-	23	-	-	-	-	-	-	-	-
Two	144	-	144	-	-	-	22	-	22	-	-	-	-	-	-	-	-
Three	142	-	142	-	-	-	20	-	20	-	-	-	-	-	-	-	-
Four	135	-	135	-	-	-	25	-	25	-	-	-	-	-	-	-	-
Five	163	-	163	-	-	-	25	-	25	-	-	-	-	-	-	-	-
Six	169	-	169	-	-	-	26	-	26	-	-	-	-	-	-	-	-
Seven	171	-	171	-	-	-	24	-	24	-	-	-	-	-	-	-	-
Eight	162	-	162	-	-	-	20	-	20	-	-	-	-	-	-	-	-
Nine	134	-	134	-	-	-	23	-	23	-	-	-	-	-	-	-	-
Ten	145	-	145	-	-	-	20	-	20	-	-	-	-	-	-	-	-
Eleven	134	-	134	-	-	-	23	-	23	-	-	-	-	-	-	-	-
Twelve	153	-	153	-	-	-	18	-	18	-	-	-	-	-	-	-	-
Subtotal	1,931	-	1,931	-	-	-	284	-	284	-	-	-	-	-	-	-	-
Special Ed - Elementary	138	-	138	-	-	-	-	-	-	-	-	-	2	2	2	-	-
Special Ed - Middle School	76	-	76	-	-	-	-	-	-	-	-	-	1	1	1	-	-
Special Ed- High School	88	5	88	5	-	-	-	-	-	-	-	-	16	16	16	-	-
Subtotal	302	5	302	5	-	-	-	-	-	-	-	-	19	19	19	-	-
Co. Voc. - Regular	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	2,233	5	2,233	5	-	-	284	-	284	-	-	-	19	19	19	-	-
Percentage Error					0.00%	0.00%							0.00%	0.00%			0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**Metuchen Board of Education
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	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	-	-	-	-	-	-	-	-	-	-	-	-
One	8	8	-	3	3	-	1	1	-	1	1	-
Two	13	13	-	8	8	-	-	-	-	-	-	-
Three	10	10	-	5	5	-	-	-	-	-	-	-
Four	7	7	-	4	4	-	2	2	-	2	2	-
Five	10	10	-	5	5	-	-	-	-	-	-	-
Six	17	17	-	10	10	-	-	-	-	-	-	-
Seven	13	13	-	7	7	-	-	-	-	-	-	-
Eight	15	15	-	12	12	-	-	-	-	-	-	-
Nine	13	13	-	7	7	-	-	-	-	-	-	-
Ten	10	10	-	7	7	-	-	-	-	-	-	-
Eleven	16	16	-	10	10	-	-	-	-	-	-	-
Twelve	15	15	-	8	8	-	-	-	-	-	-	-
Subtotal	147	147	-	86	86	-	3	3	-	3	3	-
Special Ed - Elementary	16	16	-	10	10	-	-	-	-	-	-	-
Special Ed - Middle	8	8	-	10	10	-	-	-	-	-	-	-
Special Ed - Highschool	22	22	-	14	14	-	-	-	-	-	-	-
Subtotal	46	46	-	34	34	-	-	-	-	-	-	-
Totals	193	193	-	120	120	-	3	3	-	3	3	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	<u>Transportation</u>					
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	34.5	34.5	0	53	53	0
Reg - SpEd	3.0	3.0	0	0	0	0
Transported - Non-Public	11.5	11.5	0	35	35	0
Special Ed Spec	83.5	83.5	0	0	0	0
Totals	132.5	132.5	0	88	88	0
Percentage Error				(d)		0.00%

	Reported	Recalculated
Reg Avg.(Mileage) = Regular Including Grade PK students	5	5
Reg Avg.(Mileage) = Regular Excluding Grade PK students	5	5
Spec Avg. = Special Ed with Special Needs	9	9

Metuchen Board of Education

SCHEDULE OF AUDITED ENROLLMENTS

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. 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 Kindegarten	2	2	-	2	2	-
Full Day Kindegarten	-	-	-	-	-	-
One	2	2	-	1	1	-
Two	1	1	-	1	1	-
Three	1	1	-	1	1	-
Four	2	2	-	2	2	-
Five	2	2	-	2	2	-
Six	3	3	-	2	2	-
Seven	2	2	-	1	1	-
Eight	2	2	-	2	2	-
Nine	1	1	-	1	1	-
Ten	1	1	-	1	1	-
Eleven	1	1	-	1	1	-
Twelve	1	1	-	1	1	-
Subtotal	<u>21</u>	<u>21</u>	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Special Ed - Elementary	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High School	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>21</u></u>	<u><u>21</u></u>	<u><u>-</u></u>	<u><u>18</u></u>	<u><u>18</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>0.00%</u></u>			<u><u>0.00%</u></u>

METUCHEN BOARD OF EDUCATION

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	\$ <u>37,421,151</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>-</u> (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>-</u> (B1c)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>3,757,105</u> (B2a)
Assets Acquired Under Capital Leases	\$ <u>-</u> (B2b)
Adjusted 2015-16 General Fund Expenditures [(B) + (B1s) - (B2s)]	\$ <u>33,664,046</u> (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ <u>673,281</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>673,281</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>245,677</u> (K)
Maximum Unassigned/Undesignated- Unreserved Fund Balance [(B5) + (K)]	\$ <u>918,958</u> (M)

SECTION 2

Total General Fund - Fund Balances at 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>4,197,718</u> (C)
Decreased by:	
Year-end Encumbrances	\$ <u>1,087,705</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C2)
Legally Restricted - Excess Surplus Designated for Subsequent Year's Expenditures**	\$ <u>474,207</u> (C3)
Other Restricted Fund Balances****	\$ <u>1,311,000</u> (C4)
Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures	\$ <u>490,844</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>833,962</u> (U1)

METUCHEN BOARD OF EDUCATION

EXCESS SURPLUS CALCULATION

JUNE 30, 2016

SECTION 3

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

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's
 Expenditures ** \$ _____ 474,207 (C3)
 Reserved Excess Surplus *** [(E)] \$ _____ - (E)
 Total Excess Surplus [(C3)+(E)+(F)] \$ _____ 474,207 (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, and recognized current year school bus advertising revenue, 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 \$ _____ - (H)
 Sales & Lease-back \$ _____ - (I)
 Extraordinary Aid \$ _____ 234,889 (J1)
 Additional Nonpublic School Transportation Aid \$ _____ 10,788 (J2)
 Current Year School Bus Advertising Revenue Recognized \$ _____ - (J3)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)] \$ _____ 245,677 (K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amount must agree to the June 30, 2016 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 10024.

**** 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.

METUCHEN BOARD OF EDUCATION

EXCESS SURPLUS CALCULATION

JUNE 30, 2016

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	-
Capital outlay for a district with a capital outlay cap waiver	\$	-
Sale/lease-back reserve	\$	-
Capital reserve	\$	613,000
Maintenance reserve	\$	398,000
Emergency Reserve	\$	300,000
Waiver offset reserve	\$	-
Tuition reserve	\$	-
Other state/government mandated reserve	\$	-
[Other Restricted Fund Balance not noted above]****	\$	- ****
Total Other Restricted Fund Balance	\$	1,311,000 (C4)