

Auditor's Management Report

for the

*Borough of Shrewsbury
School District*

in the

*County of Monmouth
New Jersey*

for the

*Fiscal Year Ended
June 30, 2016*

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

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of Shrewsbury
County of Monmouth
Shrewsbury, New Jersey 07702

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 Borough of Shrewsbury School District in the County of Monmouth, New Jersey for the year ended June 30, 2016, and have issued our report dated December 5, 2016.

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 Shrewsbury 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

December 5, 2016

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 Borough of Shrewsbury Board of Education and 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.

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Loretta Hill	Treasurer of School Monies	\$175,000.00
Debora Avento	School Business Administrator	100,000.00

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 District 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 tested 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 proper agencies, including health benefit premium amounts withheld due to the general fund.

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, 2016 for proper classification of orders as reserve for encumbrances and accounts payable.

Unemployment Compensation Insurance Trust Fund

The District has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(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 testing 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:23-8.2. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to the test the propriety of expenditure classification.

Finding: During the course of our audit we noted that several items that were capitalized in the District's Capital Asset Inventory were charged to incorrect line items in the budget. These expenditures and the associated budget appropriations were reclassified for financial statement presentation to properly reflect this activity.

Recommendation: The District should reference the Uniform Minimum Chart of Accounts for New Jersey School for the proper classification of expenditures required to be in compliance with N.J.A.C 6A:23A-16.2(f).

Board Secretary's Records

The financial records, books of account and minutes of the Board Secretary were maintained in satisfactory condition and the contractual order system was fully implemented.

Finding: We noted that the cash balances on the Board Secretaries Report were not reconciled to the cash balances on the Treasurer's Report on a monthly basis.

Recommendation: That the cash balances of the Board Secretary's report be reconciled to the cash balances on the Treasurer's Report on a monthly basis.

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

Board Secretary's Records (Continued)

Finding: The District, per its various labor agreements, allows employees to waive medical and prescription drug coverage and, in return the employee is reimbursed a percentage of the savings up to \$5,000.00. During our audit we noted that the form used to document the waiver of coverage was not certified by the District.

Recommendation: That the form used to document the waiver of health and/or prescription drug coverage be certified by appropriate District personnel.

Treasurer's Records

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

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. 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 IDEA Part B, of the Elementary and Secondary Education Act as amended and reauthorized.

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.

T.P.A.F. Reimbursement

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

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 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 \$29,000.00, 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 \$40,000.00. 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."

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 January 1, 2015, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) and authorized by a resolution dated August 18, 2015 of the Board of Education, the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,300.00.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

School Food Service

On August 18, 2015, the Board of Education approved Red Bank Regional School District for the purpose of the Regional District providing school lunches for the 2015-2016 school year.

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. These records were reviewed on a test-check basis.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

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 month average expenditures.

Exhibits reflecting Food Service Program's operations are included in the Exhibits B-4, B-5, and B-6.

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

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, 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 with a minor exception. The information that was included on the workpapers was verified no 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 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 with a minor 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. No exceptions were noted in our review of transportation related purchases of goods and services.

Capital Assets and Facilities

The Capital Assets Inventory was maintained in satisfactory condition.

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.

Finding: District records reflect an Accounts Receivable of \$348,031.00 related to the submission of a drawdown for EDA grant funds dated November 30, 2011. As of the date of this audit no funds have been received. The District has been in contact with the New Jersey School Development Authority and is working to finalize the grant.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

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

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

RECOMMENDATIONS

It is recommended that:

1. Administrative Practices and Procedures

2016-01 That the form used to document the waiver of health and/or prescription drug coverage be certified by appropriate District personnel.

2. Financial Planning, Accounting and Reporting

2016-02 The District should reference the Uniform Minimum Chart of Accounts for New Jersey School for the proper classification of expenditures required to be in compliance with N.J.A.C 6A:23A-16.2(f).

2016-03 That the cash balances of the Board Secretary's report be reconciled to the cash balances on the Treasurer's Report on a monthly basis.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Status of Prior Year's Findings/Recommendations

None

**SHREWSBURY SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

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	<u>2016-17 Application for State School Aid (10/15/15 data)</u>						<u>Sample for Verification</u>						<u>Private School for Disabled</u>			
	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 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 3 years old																
Full Day Preschool 3 years old	2		2					1		1						
Half Day Preschool 4 years old																
Full Day Preschool 4 years old	3		3					1		1						
Half Day Kindergarten																
Full Day Kindergarten	43		43					17		17						
One	49		49					19		19						
Two	34		34					13		13						
Three	55		55					21		21						
Four	48		48					19		19						
Five	51		51					20		20						
Six	43		43					17		17						
Seven	53		53					21		21						
Eight	52		52					20		20						
Subtotal	433		433					169		169						
Sp. Ed. - Elementary	43		43					17		17						
Sp. Ed. - Middle School	25		25					11		11			1	1	1	
Subtotal	68		68					28		28			1	1	1	
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	501		501					197		197			1	1	1	
Percentage Error								0%		0%						0%

**SHREWSBURY SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
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>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>	<u>Reported on A.S.S.A. as LEP low Income</u>	<u>Reported on Workpapers as LEP low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Half Day Preschool 4 years old												
Full Day Kindergarten												
One	2	2		2	2							
Two												
Three	1	1		1	1							
Four												
Five												
Six	1	1					1	1		1	1	
Seven	1	1					1	1		1	1	
Eight												
Subtotal	<u>5</u>	<u>5</u>		<u>3</u>	<u>3</u>		<u>2</u>	<u>2</u>		<u>2</u>	<u>2</u>	
Special Ed - Elementary												
Special Ed - Middle												
Subtotal												
Totals	<u>5</u>	<u>5</u>		<u>3</u>	<u>3</u>		<u>2</u>	<u>2</u>		<u>2</u>	<u>2</u>	
Percentage Error			<u>0%</u>				<u>0%</u>		<u>0%</u>			<u>0%</u>

	<u>Transportation</u>						Reported	Re- Calculated
	<u>Reported on DRTRS by DOE/county</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>		
Reg. - Public Schools, col. 2								
Reg -SpEd, col. 8								
Transported - Non-Public, col. 6	29	29		25	25			
Special Ed Spec, col. 7	1	1		1	1			
Totals	<u>30</u>	<u>30</u>		<u>26</u>	<u>26</u>			
Percentage Error					<u>0%</u>			
							Avg. Mileage - Regular Including Grade PK students	4.2
							Avg. Mileage - Regular Excluding Grade PK students	4.2
							Avg. Mileage - Special Ed with Special Needs	52.1

SHREWSBURY SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool 4 years old	-		-			-
Full Day Kindergarten	-		-	-		-
One	-		-			-
Two	-		-			-
Three	-		-			-
Four	-		-			-
Five	-		-			-
Six	-		-			-
Seven	-		-			-
Eight	-		-			-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Ed - Elementary			-	-		-
Special Ed - Middle			-			-
Special Ed - High			-			-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Co. Voc. - Regular						-
Co. Voc. Ft. Post Sec.						-
Totals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error						

* No students within district are resident LEP not low income

BOROUGH OF SHREWSBURY SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION 1

2% Calculation of Excess Surplus

2015 - 2016 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>8,296,258.81</u>	
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>863,142.55</u>	
Adjusted 2015 - 2016 General Fund Expenditures		\$ <u>7,433,116.26</u>
2% of Adjusted 2015 - 2016 General Fund Expenditures		\$ <u>148,662.33</u>
Greater of line above or \$250,000.00		\$ <u>250,000.00</u>
Increased by: Allowable Adjustment		\$ <u>9,411.00</u>
Maximum Unreserved/Undesignated Fund Balance		\$ <u><u>259,411.00</u></u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-16	\$ <u>1,020,149.15</u>	
Decreased by:		
Year-end Encumbrances	\$ <u>60,312.49</u>	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ <u>213,311.00</u>	
Other Restricted Fund Balances:		
Maintenance Reserve	\$ <u>170,000.00</u>	
Capital Reserve	\$ <u>98,213.66</u>	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>2,795.00</u>	
Total Unassigned Fund Balance		\$ 475,517.00

SECTION 3

Restricted Fund Balance-Excess Surplus		\$ <u><u>216,106.00</u></u>
<u>Recapitulation of excess surplus as of June 30, 2016</u>		
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		\$ <u>213,311.00</u>
Reserved Excess Surplus		\$ <u>216,106.00</u>
Total Excess Surplus		\$ <u><u>429,417.00</u></u>
<u>Detail of Allowable Adjustments</u>		
Extraordinary Aid		\$ 6,801.00
Additional Non Public School Transportation Aid		<u>2,610.00</u>
		\$ <u><u>9,411.00</u></u>

