

Auditor's Management Report

for the

*Township of South Brunswick
School District*

in the

*County of Middlesex
New Jersey*

for the

*Fiscal Year Ended
June 30, 2018*

**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
Township of South Brunswick School District
County of Middlesex
Monmouth Junction, New Jersey 08852

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 Township of South Brunswick School District in the County of Middlesex for the year ended June 30, 2018, and have issued our report dated February 22, 2019.

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 Township of South Brunswick School District, County of Middlesex, 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. 962

February 22, 2019

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

SCOPE OF AUDIT

The audit covered the financial transactions of the Business Administrator/ Board Secretary and the Chief School Administrator, the activities of the Township of South Brunswick 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 on the Insurance Schedule (Exhibit J-20) contained in the District's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A:17-26, 17-32)

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
David Pawlowski	Board Secretary/School Business Administrator	\$525,000.00
All Employees	Blanket Bond	500,000.00

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

Tuition Charges

A comparison of tentative charges and actual certified tuition charges was made. The actual costs differed from the estimated costs. The Board made a proper adjustment to the billings to sending Districts for the difference in per pupil costs in accordance with N.J.A.C. 6a-23-3.1(f)3.

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.

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Payroll Account

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

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Assistant Superintendent for Business/Board Secretary.

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.

The balances of funds on deposit in the Payroll Account are analyzed on a monthly basis.

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 for proper classification of orders as reserve for encumbrances and accounts payable without exception.

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 randomly selecting a test sample, our sample 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

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 projects under Title I, Title II, Title III and Title IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and State Projects

The District's Special Projects were approved as listed on Exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained 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 semi-monthly reimbursements 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 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.

**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 therefore, 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 therefore, 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, 2015, the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

**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

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, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

In addition, we inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The statement of revenues, expenses and charges in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

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

STUDENT BODY ACTIVITIES/ATHLETIC FUNDS

A cash receipts and disbursement record were maintained in satisfactory condition.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 15, 2017 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 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 had written procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on roll status reported in the 2017-2018 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.

FACILITIES AND CAPITAL ASSETS

Not Applicable

TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES

We were advised that the school district adhered to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

Not applicable

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

RECOMMENDATIONS

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
None
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
N/A

TOWNSHIP OF SOUTH BRUNSWICK SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	2018-2019 Application for State School Aid				Sample for Verification				Private School for Handicapped					
	Reported on A.S.S.A. as on Roll	Reported on Workpapers on Roll	Errors	Sample Selected from Workpapers	Verified per Registers on Roll	Errors per Registers on Roll	Reported as Private Schools	Sample for Verification	Sample Verified	Sample Errors				
	Full	Shared	Full	Full	Shared	Full	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Pre-K 3 yr	12			1					1					
Half Day Pre-K 4 yr	17			1					1					
Full Day Kindergarten	495			17					17					
One	506			18					18					
Two	553			20					20					
Three	552			20					20					
Four	579			22					22					
Five	559			20					20					
Six	683			21					21					
Seven	641			22					22					
Eight	670			20					20					
Nine	676			25					25					
Ten	637			25					25					
Eleven	645			25					25					
Twelve	709			25					25					
Subtotal	7,934			282					282					
SpEd Elementary	308			10					10				7	7
SpEd Middle School	197			10					10				13	13
SpEd High School	298	6		10					10				25.5	19
Subtotal	803	6		30					30				45.5	39
Totals	8,737	6		312					312				45.5	39
Percentage														

TOWNSHIP OF SOUTH BRUNSWICK SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 13, 2017

	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	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Application and Register
Full Day Pre-School								
Full Day Kindergarten								
One	55	55	15	15	14	14	8	8
Two	61	61	16	16	10	10	9	9
Three	50	50	13	13	11	11	9	9
Four	58	58	20	20	7	7	5	5
Five	63	63	10	10	5	5	4	4
Six	69	69	19	19				
Seven	76	76	17	17	2	2	2	2
Eight	63	63	17	17	6	6	3	3
Nine	87	87	16	16	3	3	3	3
Ten	80	80	16	16	7	7	6	6
Eleven	75	75	17	17	4	4	4	4
Twelve	82	82	15	15	8	8	5	5
Subtotal	77	77	14	14	2	2	2	2
	896	896	205	205	79	79	60	60
SpEd Elementary	80	80	15	15	1	1	1	1
SpEd Middle School	63	63	14	14	1	1	1	1
SpEd High School	68	68	20	20				
Subtotal	211.0	211	49	49	2	2	2	2
Totals	1,107.0	1,107	254	254	81	81	62	62

Percentage Error

Reported on DRTRS by DOE	Reported on DRTRS by District	Transportation	
		Tested	Verified
4978	4978	284	284
62	62	3	3
230	230	13	13
77.5	77.5	5	5
113.5	113.5	7	7
5461	5461	312	312

Reg. Public Schools, col.1
 Nonpublic Transportation, col.2
 Non-Public All, col.3
 Reg. - SpEd, Col.4
 Special Ed Spec, col.6
 Totals

Percentage Error

TOWNSHIP OF SOUTH BRUNSWICK SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	<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 Pre-School						
Full Day Pre-School						
Full Day Kindergarten	49	49	0	21	21	0
One	37	37	0	21	21	0
Two	15	15	0	15	15	0
Three	8	8	0	8	8	0
Four	9	9	0	9	9	0
Five	4	4	0	4	4	0
Six	1	1	0	1	1	0
Seven	3	3	0	3	3	0
Eight	3	3	0	3	3	0
Nine	3	3	0	3	3	0
Ten	5	5	0	4	4	0
Eleven	3	3	0	3	3	0
Twelve	0	0	0	0	0	0
Subtotal	<u>140</u>	<u>140</u>	<u>0</u>	<u>95</u>	<u>95</u>	<u>0</u>
SpEd Elementary	2	2	0	2	2	0
SpEd Middle School	0	0	0	0	0	0
SpEd High School	0	0	0	0	0	0
Subtotal	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Totals	<u>142</u>	<u>142</u>	<u>0</u>	<u>97</u>	<u>97</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

TOWNSHIP OF SOUTH BRUNSWICK SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2017 - 2018 Total General Fund Expenditures per CAFR Ex. C-1	\$ <u>144,288,903.00</u>	
Increased by:		
Transfer from Capital Reserve to Capital Projects Fund	<u>123,974.00</u>	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>17,703,172.00</u>	
Assets Acquired Under Capital Leases	<u>106,383.00</u>	
Adjusted 2017 - 2018 General Fund Expenditures		\$ <u>126,603,322.00</u>
2% of Adjusted 2017 - 2018 General Fund Expenditures		<u>2,532,066.00</u>
Greater of Line Above or \$250,000.00		<u>2,532,066.00</u>
Increased by: Allowable Adjustment		<u>619,465.00</u>
Maximum Unreserved/Undesignated Fund Balance		\$ <u><u>3,151,531.00</u></u>

SECTION 2

Total General Fund Balances at June 30, 2018	\$ <u>20,520,820.00</u>	
Decreased by:		
Year-End Encumbrances	<u>1,122,012.00</u>	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u> </u>	
Legally Restricted - Excess Surplus-Designated for Subsequent Year's Expenditures	<u>3,711,875.00</u>	
Other Restricted Fund Balances	<u>8,862,703.00</u>	
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u> </u>	
Total Unassigned Fund Balance		\$ <u>6,824,230.00</u>

SECTION 3

Restricted Fund Balance-Excess Surplus \$ 3,672,699.00

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures \$ 3,711,875.00

Reserved Excess Surplus 3,672,699.00

Total \$ 7,384,574.00

Detail of Allowable Adjustments

Extraordinary Aid \$ 551,515.00

Additional Non-Public School Transportation Aid 67,950.00

\$ 619,465.00

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Capital Reserve \$ 6,862,703.00

Maintenance Reserve 1,300,000.00

Emergency Reserve 700,000.00

Total Other Restricted Fund Balance \$ 8,862,703.00

