

*Auditor's Management Report*

*for the*

*Sayreville Borough  
School District*

*in the*

*County of Middlesex  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2019*



**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 as amended by the Every Student Succeeds Act (ESSA)	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	5
Student Body Activities	6
Application for State School Aid	6
Pupil Transportation	6
Facilities and Capital Assets	6
Testing for Lead of all Drinking Water in Educational Facilities	6
Follow-Up on Prior Year's Audit Finding	7
Recommendations	8
Schedule of Meal Count Activity	N/A
Application for State School Aid Summary Enrollment	9-11
Net Cash Resource Schedule	N/A
Excess Surplus Calculation	12

**Tax ID Number 22-6002289**





**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**

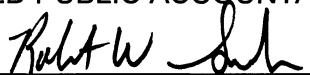
Honorable President and Members  
of the Board of Education  
Sayreville Borough School District  
County of Middlesex  
Sayreville, New Jersey

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 Sayreville School District in the County of Middlesex for the year ended June 30, 2019, and have issued our report dated January 17, 2020.

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 Borough of Sayreville 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. 948

January 17, 2020

**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 Sayreville Borough 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>
Nicole Petrone	Treasurer of School Monies	\$384,000.00
Erin Hill	Board Secretary/ School Business Administrator	\$375,000.00
All Employees	Blanket Position Bond	\$500,000.00

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

**Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment ("billing") to sending Districts for the increase (decrease) in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f) 3, which is performed as part of the District's annual budget process.

**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, including health benefits 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 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: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 selecting a test sample our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. 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.) 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 the projects under Title I, Title II, Title III and Title IV 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.

**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.

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. 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 \$29,000, 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 \$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."



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

**SCHOOL PURCHASING PROGRAMS (CONTINUED)**

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

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$40,000.00 with a Qualified Purchasing Agent. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

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.

**School Food Service Funds**

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**

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

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, 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 with no exceptions. 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.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2018-2019 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with no 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.

**Facilities and Capital Assets**

Our procedures included review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

**Testing For Lead Of All Drinking Water In Educational Facilities**

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).

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

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

In accordance with Government Auditing Standards, our procedures included a review of the prior year audit recommendations. Corrective action had been taken on all prior year findings, as follows:

**Pupil Transportation**

**Finding 2018-001:**

**Condition:** Our examination of the District Report of Transported Resident Students (DRTRS) revealed documentation that did not support the District's classifications.

**Current Status:** The condition has been corrected.

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

**RECOMMENDATIONS**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

None

**School Purchasing Program**

None

**School Food Service**

None

**Student Body Activities**

None

**Application for State School Aid**

None

**Pupil Transportation**

None

**Capital Assets and Facilities**

None

**Prior Year Audit Findings**

None

SAYREVILLE BOROUGH SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018

	2019-20 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		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	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 yrs														
Half Day Preschool 4 yrs														
Full Day Kindergarten														
One	415		415		22		22		22					
Two	431		431		21		21		21					
Three	392		392		23		23		23					
Four	428		428		20		20		20					
Five	398		398		23		23		23					
Six	440		440		21		21		21					
Seven	400		400		20		20		20					
Eight	399		399		19		19		19					
Nine	388		388		20		20		20					
Ten	394		394		20		20		20					
Eleven	388		388		18		18		18					
Twelve	364		364		20		20		20					
Subtotal	388		388		17		17		17					
	5,225		5,225		264		264		264					
SpEd Elementary	459		459		23		23		23		4		3	3
SpEd Middle School	230	5	230	5	12	2	12	2	12		8		7	7
SpEd High School	272	2	272	2	13	1	13	1	13		15		13	13
Subtotal	961	7	961	7	48	3	48	3	48		27		23	23
Totals	6,186	7	6,186	7	312	3	312	3	312		27		23	23

Percentage

SAYREVILLE BOROUGH SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018

	Low Income		Sample for Verification		Resident ELL Low Income		Sample for Verification	
	Reported on A.S.S.A. as Low Income	Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Application and Register
Half Day Preschool 3 yrs	120	120	20	20	7	7	5	5
Half Day Preschool 4 yrs	150	150	25	25	9	9	7	7
Full Day Kindergarten	139	139	25	25	6	6	3	3
One	141	141	15	15	8	8	7	7
Two	162	162	25	25	11	11	10	10
Three	174	174	15	15	11	11	10	10
Four	148	148	15	15	7	7	5	5
Five	149	149	15	15	5	5	4	4
Six	149	149	20	20	6	6	4	4
Seven	143	143	20	20	9	9	7	7
Eight	130	130	20	20	5	5	4	4
Nine	131	131	15	15	4	4	3	3
Ten	109	109	15	15	2	2	2	2
Eleven	1845	1845	245	245	90	90	71	71
Twelve								
Subtotal								
SpEd Elementary	188	188	15	15	5	5	2	2
SpEd Middle School	108	108	12	12	2	2		
SpEd High School	133	133	12	12				
Subtotal	429	429	39	39	7	7	2	2
Totals	2274	2274	284	284	97	97	73	73

Percentage Error

Transportation

	Reported on DRTS by DOE	Reported on DRTS by District	Tested	Verified	Errors	Errors
Reg Public Schools, col.1	2524	2524	206	206		
Transported - Non-Public, Col.2	194	194	20	20		
Non-Public ALL, col.3	213	213	18	18		
Reg. - SpEd, Col.4	373	373	48	48		
Special Ed Spec, col.6	179	179	7	7		
Non-Public ALL 1 - 30, col.12						
Totals	3463	3463	299	299		

Percentage Error

SAYREVILLE BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018

	<u>Resident ELL 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 3 yrs						
Half Day Preschool 4 yrs						
Full Day Kindergarten	9	9		5	5	
One	11	11		9	9	
Two	2	2		2	2	
Three	4	4		3	3	
Four	5	5		4	4	
Five	2	2		2	2	
Six	2	2		2	2	
Seven	5	5		3	3	
Eight	2	2		2	2	
Nine	7	7		5	5	
Ten	6	6		4	4	
Eleven	4	4		3	3	
Twelve	3	3		3	3	
Subtotal	<u>62</u>	<u>62</u>		<u>47</u>	<u>47</u>	
SpEd Elementary	1	1				
SpEd Middle School						
SpEd High School						
Subtotal	<u>1</u>	<u>1</u>				
Totals	<u>63</u>	<u>63</u>		<u>47</u>	<u>47</u>	
Percentage Error						

## EXCESS SURPLUS CALCULATION

### **SECTION 1**

General Fund Expenditures:

Fiscal Year Ended June 30, 2019 \$103,861,093.14

Less On-Behalf TPAF Pension and Social Security	\$13,725,775.17	
Assets Acquired Under Capital Leases	<u>2,012,817.50</u>	<u>15,738,592.67</u>

Adjusted General Fund Expenditures 88,122,500.47

Excess Surplus Percentage 2.00%

Subtotal 1,762,450.01

Increased by:

Non-Public Transportation Aid	<u>60,597.00</u>	<u>60,597.00</u>
-------------------------------	------------------	------------------

Maximum Unreserved/Undesignated Fund Balance \$1,823,047.01

### **SECTION 2**

Total General Fund Balance \$11,084,904.36

Decreased by:

Year End Encumbrances	\$1,634,500.15	
Legally Restricted:		
Excess Surplus - Designated for Subsequent Year's Expenditures	2,023,393.00	
Maintenance Reserve	1,156,954.65	
Emergency Reserve	503,716.65	
Capital Reserve	<u>2,769,216.94</u>	<u>8,087,781.39</u>

Total Unassigned Fund Balance 2,997,122.97

Reserved Fund Balance-Excess Surplus \$1,174,075.96

### **SECTION 3**

Recapitulation of Excess Surplus as of June 30, 2019

Restricted Excess Surplus-Designated for Subsequent Years Expenditures \$2,023,393.00

Restricted Excess Surplus 1,174,075.96

Total \$3,197,468.96



