

Auditor's Management Report

for the

*Sayreville Borough
School District*

in the

*County of Middlesex
New Jersey*

for the

*Fiscal Year Ended
June 30, 2020*

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

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Tax ID Number 22-6002289



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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, 2020, and have issued our report dated January 29, 2021.

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 29, 2021

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 \$19,600.00.

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, 2019 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 2019-2020 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).

Follow-Up on Prior Year's Findings

Not applicable.

**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, 2019

	2020-21 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 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	396		396		21		21							
Two	396		396		21		21							
Three	378		378		20		20							
Four	356		356		19		19							
Five	409		409		21		21							
Six	384		384		20		20							
Seven	418		418		22		22							
Eight	379		379		20		20							
Nine	388		388		20		20							
Ten	366		366		19		19							
Eleven	390		390		20		20							
Twelve	393		393		20		20							
Subtotal	361		361		19		19							
	5,014		5,014		262		262							
SpEd Elementary (PK-5)	454		454		22		22				2		2	
SpEd Middle School (6-8)	250		250		13		13				5		4	
SpEd High School	279		279		15		15				18		15	
Subtotal	983		983		50		50				25		21	
Totals	5,997		5,997		312		312				25		21	

Percentage

SAYREVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	Low Income		Sample for Verification		Resident ELL 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
Half Day Preschool 3 yrs	114	114	15	15	5	5	3	3
Half Day Preschool 4 yrs	125	125	16	16	9	9	6	6
Full Day Kindergarten	129	129	17	17	7	7	5	5
One	132	132	17	17	6	6	4	4
Two	147	147	19	19	9	9	6	6
Three	154	154	19	19	10	10	7	7
Four	166	166	21	21	14	14	10	10
Five	139	139	18	18	8	8	5	5
Six	135	135	17	17	7	7	5	5
Seven	144	144	18	18	8	8	5	5
Eight	141	141	18	18	9	9	6	6
Nine	118	118	15	15	10	10	7	7
Ten	130	130	17	17	5	5	3	3
Eleven	1774	1774	227	227	107	107	72	72
Twelve								
Subtotal								
SpEd Elementary	182	182	23	23	2	2	1	1
SpEd Middle School	129	129	17	17				
SpEd High School	134.5	134.5	17	17	1	1	1	1
Subtotal	446	445.5	57	57	3	3	2	2
Totals	2219.5	2219.5	284	284	110	110	74	74

Percentage Error

	Transportation	
	Reported on DRTS by DOE	Reported on DRTS by District
Reg. Public Schools, col.1	2,832	2,832
Transported - Non-Public, Col.2	175	175
Non-Public AIL, col.3	199	199
Reg. - SpEd, Col.4	315	315
Special Ed Spec, col.6	167	167
Non-Public AIL 1 - 30, col.12		
Totals	3688	3688

Percentage Error

SAYREVILLE BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	<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	17	17		10	10	
One	9	9		7	7	
Two	6	6		5	5	
Three	2	2		2	2	
Four	6	6		5	5	
Five	4	4		3	3	
Six	4	4		3	3	
Seven	2	2		2	2	
Eight	5	5		4	4	
Nine	6	6		5	5	
Ten	4	4		3	3	
Eleven	3	3		2	2	
Twelve						
Subtotal	<u>68</u>	<u>68</u>		<u>51</u>	<u>51</u>	
SpEd Elementary						
SpEd Middle School						
SpEd High School						
Subtotal	<u> </u>	<u> </u>		<u> </u>	<u> </u>	
Totals	<u>68</u>	<u>68</u>		<u>51</u>	<u>51</u>	
Percentage Error			<u> </u>			<u> </u>

EXCESS SURPLUS CALCULATION

SECTION 1

General Fund Expenditures:		
Fiscal Year Ended June 30, 2020		\$107,904,641.73
Less On-Behalf TPAF Pension and Social Security	\$14,967,747.99	
Assets Acquired Under Capital Leases	1,163,903.01	
		16,131,651.00
Adjusted General Fund Expenditures		91,772,990.73
Excess Surplus Percentage		2.00%
Subtotal		1,835,459.81
Increased by:		
Extraordinary Aid (Unbudgeted)	263,562.00	
		263,562.00
Maximum Unreserved/Undesignated Fund Balance		\$2,099,021.81

SECTION 2

Total General Fund Balance		\$12,709,138.33
Decreased by:		
Year End Encumbrances	\$1,671,357.72	
Legally Restricted:		
Excess Surplus - Designated for Subsequent Year's Expenditures	1,174,076.00	
Maintenance Reserve	980,690.72	
Emergency Reserve	259,443.00	
Capital Reserve	4,524,109.00	
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	439,250.00	
		9,048,926.44
Total Unassigned Fund Balance		3,660,211.89
Reserved Fund Balance-Excess Surplus		\$1,561,190.08

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2020		
Restricted Excess Surplus-Designated for Subsequent Years Expenditures		\$1,174,076.00
Restricted Excess Surplus		1,561,190.08
Total		\$2,735,266.08

