

*Auditor's Management Report*

*for the*

*Spotswood Borough  
School District*

*in the*

*County of Middlesex  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2017*



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

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**Tax ID Number 22-6002319**





# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

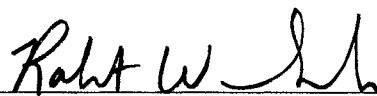
Honorable President and Members  
of the Board of Education  
Spotswood Borough School District  
County of Middlesex  
Spotswood, New Jersey 08884

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 Spotswood School District in the County of Middlesex for the year ended June 30, 2017, and have issued our report dated October 24, 2017.

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 Spotswood 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

October 24, 2017

**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 Spotswood 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>
Brian DeLucia	Treasurer of School Monies	\$500,000.00
Vita Marino	Board Secretary/ School Business Administrator	\$500,000.00
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-17.103, 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**

**Payroll Accounts (Continued)**

**Finding 2017-001:** During the course of our audit we noted that a detailed analysis of payroll deductions payable was not maintained.

**Recommendation 2017-001:** That a detailed analysis of payroll deductions payable be maintained and reconciled to the cash on account on a timely 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, 2017 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:23-2.2 (g) 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:23 A-2.4 As a result of the procedures performed, the following exceptions were noted.

**Finding 2017-002:** During the course of our audit we noted that expenditures for the payment of principal and interest on copier lease payments were charged to the Capital Outlay Fund. Per the Uniform Chart of Accounts for New Jersey Public Schools generally lease payments are to be charged to the rentals line under the appropriate program and function code. In addition, we noted that certain stipends for chairpersons' duties were charged to "Improvement of Instruction – Salaries of Supervisors of Instruction". Per the Uniform Chart of Accounts these items should be recorded in school administration. These expenditures as well as the associated appropriation have been reclassified in the financial statements.

**Recommendation 2017-002:** The District should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A- 16.20.

**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.

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

**Elementary and Secondary Education Act of 1965 (E.S.E.A.) / Improving America's  
Schools (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 and Title II Part A, of the Elementary and Secondary Education Act.

**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 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 60 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.



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

**SCHOOL PURCHASING PROGRAMS**

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

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 July 1, 2015, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,800.00.

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.

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

**SCHOOL PURCHASING PROGRAMS**

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

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.

**Finding 2017-003:** Our examination of District expenditures revealed several purchases in excess of the bid threshold made through State Contract and Co-operative agreement that were not awarded by resolution of the governing body as required by N.J.S.A. 40A: 11-4.

**Recommendation 2017-003:** That all contracts in excess of the bid threshold be awarded by resolution of the governing body.

**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 financial transactions and statistical records of the School Food Services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were properly computed and timely filed. Meals claimed agreed with the meal count records tested.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced priced meal policy is uniformly administered throughout the School system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The District 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.

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

**School Food Service Funds (Continued)**

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 Service employees. No exceptions were noted.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue AND program and non-program cost of goods sold.

The school district school did provide the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

**Student Body Activities**

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

**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 minor 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 a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

**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 14, 2015 Application for State School Aid (A.S.S.A.) for onroll, 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 without exception. The information that was included on the workpapers was verified with 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 adequate written procedures for the recording of student enrollment data.

**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.

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

All prior year comment have been resolved.

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

**RECOMMENDATIONS**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

2017-001 That the detailed analysis of payroll deductions payable be maintained on a timely basis.

2017-002 That the District should reference The Uniform Minimum Chart of Accounts for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23A- 16.20.

**School Purchasing Program**

2017-003 That all contracts in excess of the bid threshold be awarded by resolution of the governing body.

**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**

All Prior Year Finding have been corrected

**SPOTSWOOD BOROUGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-18 Application for State School Aid (10/14/16 data)						Sample for Verification				Private School for Disabled					
	Reported as		Reported on		Errors		Sample		Verified per		Errors per		Reported on		Sample	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool 3 years old	11		11				2		2							
Full Day Preschool 4 years old	12		12				2		2							
Full Day Kindergarten	93		93				15		15							
One	77		77				12		12							
Two	99		99				15		15							
Three	91		91				14		14							
Four	105		105				16		16							
Five	103		103				16		16							
Six	108		108				17		17							
Seven	104		104				16		16							
Eight	83		83				13		13							
Nine	155		155				24		24							
Ten	167		167				26		26							
Eleven	154		154				24		24							
Twelve	177		177				28		28							
Subtotal	1539		1539				240		240							
Sp. Ed. - Elementary	89		89				14		14				4		3	
Sp. Ed. - Middle School	43		43				7		7				4		4	
Sp. Ed. - High School	68		68				11		11				2		2	
Subtotal	200		200				32		32				10		9	
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	1739		1739				272		272				10		9	
Percentage Error							0%		0%				0%		0%	

**SPOTSWOOD BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016**

	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	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
Full Day Preschool 3 years old	19	19		11	11		3	3		3	3	
Full Day Preschool 4 years old	11	11		6	6		1	1		1	1	
Full Day Kindergarten	17	17		10	10		3	3		2	2	
One	20	20		12	12		1	1		1	1	
Two	16	16		9	9		3	3		2	2	
Three	16	16		9	9							
Four	17	17		10	10							
Five	13	13		7	7							
Six	13	13		7	7							
Seven	15	15		9	9		1	1		1	1	
Eight	13	13		7	7							
Nine	13	13		7	7							
Ten	10	10		6	6							
Eleven	12	12		7	7							
Twelve	192	192		110	110		12	12		10	10	
Subtotal												
Special Ed - Elementary	28	28		16	16							
Special Ed - Middle	11	11		6	6							
Special Ed - High School	18	18		10	10							
Subtotal	57	57		32	32							
Totals	249	249		142	142		12	12		10	10	
Percentage Error			0%									0%

**Transportation**

	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	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
Reg. - Public Schools, col. 2	326	326		156	156							
Reg -SpEd, col. 8	2	2		2	2							
Transported - Non-Public, col. 6	11	11		5	5							
Special Ed Spec, col. 7	30	30		14	14							
Totals	369	369		177	177							
Percentage Error			0%									0%

Avg. Mileage - Regular Including Grade PK students  
Avg. Mileage - Regular Excluding Grade PK students  
Avg. Mileage - Special Ed with Special Needs

Reported  
3.5  
3.5  
12.7

Re-Calculated  
3.5  
3.5  
12.7

SPOTSWOOD BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.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	1	1		1	1	
Two	2	2		1	1	
Three						
Four	2	2		2	2	
Five						
Six						
Seven						
Eight						
Nine						
Ten	1	1		1	1	
Eleven						
Twelve						
Subtotal	6	6		5	5	
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High School						
Subtotal						
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	6	6		5	5	
Percentage Error			0%			0%



## EXCESS SURPLUS CALCULATION

### **SECTION 1**

General Fund Expenditures:

Fiscal Year Ended June 30, 2017 \$27,409,976.75

Less On-Behalf TPAF Pension and Social Security \$3,205,771.24

3,205,771.24

Adjusted General Fund Expenditures 24,204,205.51

Excess Surplus Percentage 2.00%

Subtotal 484,084.11

Increased by:

Extraordinary Aid (Unbudgeted) 46,387.00

Non-Public Transportation Aid (Unbudgeted) 5,286.00

51,673.00

Maximum Unreserved/Undesignated Fund Balance \$535,757.11

### **SECTION 2**

Total General Fund Balance \$ 6,313,544.79

Decreased by:

Year End Encumbrances \$ 494,566.23

Legally Restricted:

Excess Surplus - Designated for Subsequent Year's Expenditures 592,727.00

Maintenance Reserve 1,634,070.00

Capital Reserve 1,612,384.53

Assigned Fund Balance - Designated for Subsequent Year's  
Expenditures 442,089.00

4,775,836.76

Total Unassigned Fund Balance 1,537,708.03

Reserved Fund Balance-Excess Surplus \$1,001,950.92

### **SECTION 3**

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus-Designated for Subsequent Years Expenditures \$592,727.00

Reserved Excess Surplus 1,001,950.92

Total \$1,594,677.92



