

Auditor's Management Report

for the

*Spotswood Borough
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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Tax ID Number 22-6002319



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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, 2018, and have issued our report dated February 7, 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 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

February 7, 2019

**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**

Financial Planning, Accounting and Reporting (Continued)

Payroll Accounts (Continued)

Payrolls were delivered to the treasurer of school monies with a warrant made to his order for the full amount of each payroll.

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, 2018 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.

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 (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 and Title IV 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.

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

Other Special Federal and/or State Projects (Continued)

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 \$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.

**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.

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.

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 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. 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 13, 2017 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.

Miscellaneous

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 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

All prior year findings 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

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

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 13, 2017**

	2018-19 Application for State School Aid (10/13/17 data)				Sample for Verification				Private School for Disabled							
	Reported as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		A.S.S.A. as Reported on Sample			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	Veri- fication	Sample	Errors
Full Day Preschool 3 years olc	11		11		-		2		2		-					
Full Day Preschool 4 years olc	16		16		-		2		2		-					
Full Day Kindergarten	68		68		-		15		15		-					
One	97		97		-		12		12		-					
Two	85		85		-		15		15		-					
Three	104		104		-		14		14		-					
Four	91		91		-		16		16		-					
Five	112		112		-		16		16		-					
Six	102		102		-		17		17		-					
Seven	109		109		-		16		16		-					
Eight	106		106		-		13		13		-					
Nine	144		144		-		24		24		-					
Ten	156		156		-		26		26		-					
Eleven	163		163		-		24		24		-					
Twelve	160		160		-		28		28		-					
Subtotal	1524		1524		-		240		240		-					
Sp. Ed. - Elementary	93		93		-		14		14		-		4	3	3	-
Sp. Ed. - Middle School	45		45		-		7		7		-		2	2	2	-
Sp. Ed. - High School	56		56		-		11		11		-		5	3	3	-
Subtotal	194		194		-		32		32		-		11	8	8	-
Co. Voc. - Regular					-						-					
Co. Voc. Ft. Post Sec.					-						-					
Totals	1,718		1,718		-		272		272		-		11	8	8	0%
Percentage Error					0%						0%					0%

**SPOTSWOOD BOROUGH 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.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.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												
Full Day Preschool 4 years old												
Full Day Kindergarten												
One	17	17	-	11	11	-	-	-	-	-	-	-
Two	21	21	-	6	6	-	4	4	-	3	3	-
Three	15	15	-	10	10	-	2	2	-	2	2	-
Four	19	19	-	12	12	-	3	3	-	2	2	-
Five	18	18	-	11	11	-	-	-	-	-	-	-
Six	17	17	-	9	9	-	1	1	-	1	1	-
Seven	13	13	-	10	10	-	-	-	-	-	-	-
Eight	20	20	-	9	9	-	2	2	-	2	2	-
Nine	13	13	-	7	7	-	-	-	-	-	-	-
Ten	12	12	-	9	9	-	-	-	-	-	-	-
Eleven	17	17	-	9	9	-	1	1	-	1	1	-
Twelve	13	13	-	7	7	-	1	1	-	1	1	-
Subtotal	10	10	-	7	7	-	7	7	-	7	7	-
	205	205	-	117	117	-	14	14	-	14	14	-
Special Ed - Elementary	18	18	-	12	12	-	-	-	-	-	-	-
Special Ed - Middle	10	10	-	6	6	-	-	-	-	-	-	-
Special Ed - High School	7	7	-	5	5	-	-	-	-	-	-	-
Subtotal	35	35	-	23	23	-	-	-	-	-	-	-
Totals	240	240	-	140	140	-	14	14	-	14	14	-
Percentage Error			0%			0%			0%			0%

Transportation

	Transportation			Sample for Verification		
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Reg - Public Schools, col. 2	322	322	-	155	155	-
Reg - SpEd, col. 8	1	1	-	1	1	-
Transported - Non-Public, col. 6	6	6	-	5	5	-
Special Ed Spec, col. 7	35	35	-	30	30	-
Totals	364	364	-	191	191	-
Percentage Error			0%			0%

Re-Calculated
4-Mar
3.4
3.4
10.8

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

SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	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	1	1	-	1	1	-
Four			-			-
Five	1	1	-	1	1	-
Six			-			-
Seven	1	1	-	1	1	-
Eight			-			-
Nine			-			-
Ten			-			-
Eleven			-			-
Twelve			-			-
Subtotal	3	3	-	3	3	-
Special Ed - Elementary			-			-
Special Ed - Middle			-			-
Special Ed - High School			-			-
Subtotal			-			-
Co. Voc. - Regular			-			-
Co. Voc. Ft. Post Sec.			-			-
Totals	3	3	-	3	3	-
Percentage Error			0%			0%

EXCESS SURPLUS CALCULATION

SECTION 1

General Fund Expenditures:

Fiscal Year Ended June 30, 2018 \$28,290,903.18

Less On-Behalf TPAF Pension and Social Security	\$3,631,149.00	
		3,631,149.00

Adjusted General Fund Expenditures 24,659,754.18

Excess Surplus Percentage 2.00%

Subtotal 493,195.08

Increased by:

Non-Public Transportation Aid (Unbudgeted)	10,150.00	
		10,150.00

Maximum Unreserved/Undesignated Fund Balance \$503,345.08

SECTION 2

Total General Fund Balance \$ 8,262,105.46

Decreased by:

Year End Encumbrances	\$ 563,525.13	
Legally Restricted:		
Excess Surplus - Designated for Subsequent Year's Expenditures	1,001,950.92	
Maintenance Reserve	2,084,070.00	
Capital Reserve	2,313,756.59	
		5,963,302.64

Total Unassigned Fund Balance 2,298,802.82

Reserved Fund Balance-Excess Surplus \$1,795,457.74

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus-Designated for Subsequent Years Expenditures \$1,001,950.92

Reserved Excess Surplus 1,795,457.74

Total \$2,797,408.66

