

*Auditor's Management Report*

*for the*

*Colts Neck Township  
School District*

*in the*

*County of Monmouth  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2019*



**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 Colts Neck School District  
County of Monmouth  
Colts Neck, New Jersey 07722

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 Colts Neck School District in the County of Monmouth for the year ended June 30, 2019, and have issued our report dated December 2, 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 Colts Neck School District, County of Monmouth, 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

December 2, 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 Township of Colts Neck Board of Education, and the records of the various funds under the auspices of the Board of Education.

**ADMINISTRATIVE PRACTICES AND PROCEDURES**

**Insurance (N.J.S.A. 18A:17-26, 18A: 17-32)**

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 BONDS</u>
John Antonides	Treasurer of School Monies	\$250,000.00
Vincent S. Marasco	Board Secretary/School Business Administrator	\$250,000.00
Blanket Bond	All Employees	\$500,000.00

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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING**

**Examination of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Payroll Account**

The gross salaries of all employees of the Board and the Board's required payroll contributions were deposited in the Payroll 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 Account (Continued)**

Payrolls were delivered to the treasurer of school moneys with a warrant made to her 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, Liability (Current) for Accounts Payable**

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

**Unemployment Compensation Insurance Trust Fund**

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C.6A:23-2.2(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-2.4. 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 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 and independently maintained from the Board Secretary/Board Administrator.

**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 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 Titles of I and VI 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 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 reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts was used. 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.



**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 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. (pending before the Legislature as section 15 of this bill) 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."

Effective January 1, 2015, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) and authorized by a resolution dated May 2, 2012 of the Board of Education, the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

**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. Our examination did reveal however, that the district made purchases through the use of state contracts.

**FOOD SERVICE FUND**

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts were reviewed on a test-check basis.

Beginning in FY2018 the District has withdrawn from the National School Lunch Program.

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.

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

**FOOD SERVICE FUND (CONTINUED)**

The cash disbursements records reflected expenditures for program related goods and services. The Board 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. Net cash Resources did not exceed three month average expenditures.

Exhibits reflecting Food Service Program operations are included in the Exhibits B-3, B-4, and B-5.

**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 handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information that was included on the workpapers was verified without exception. 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 procedures for the recording of student enrollment data.

**PUPIL TRANSPORTATION**

Our audit procedures included a test of on roll status reported in the 2018-19 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.

**FACILITIES AND CAPITAL ASSETS**

The Capital Assets Inventory was maintained in satisfactory condition.

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

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

**MISCELLANEOUS**

**Testing for Lead of All Drinking Water in Educational Facilities**

The school district adhered to all 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**

All prior year findings have been resolved.

**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. Miscellaneous  
None
10. Prior Year Audit Findings/Recommendations  
All Prior Year Finding have been corrected

**COLTS NECK SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2018**

	2018-19 Application for State School Aid (10/15/18 data)				Sample for Verification				Private School for Disabled					
	Reported as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Registers Verified per Registers on Roll		Errors per Registers on Roll		A.S.A. as Reported on Private Schools	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Verified	Sample Errors
Half Day Preschool 3 years old	8		8				2		2					
Full Day Preschool 3 years old	6		6				2		2					
Half Day Preschool 4 years old	12		12				3		3					
Full Day Preschool 4 years old	28		28				7		7					
Half Day Kindergarten	96		96				25		25					
Full Day Kindergarten	80		80				21		21					
One	74		74				19		19					
Two	70		70				18		18					
Three	82		82				22		22					
Four	81		81				21		21					
Five	86		86				23		23					
Six	95		95				25		25					
Seven	96		96				25		25					
Eight	814		814				213		213					
Subtotal														
Sp. Ed. - Elementary	96		96				25		25			3	3	
Sp. Ed. - Middle School	58		58				15		15			3	2	
Subtotal	154		154				40		40			6	5	
Co. Voc. - Regular														
Co. Voc. Ft. Post Sec.	968		968				253		253			6	5	
Totals														
Percentage Error														0%

**COLTS NECK SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 13, 2018**

	Resident Low Income			Sample for Verification			Resident ELL 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 ELL low Income	Reported on Workpapers as ELL low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool 4 years old	3	3		3	3		1	1		1	1	
Full Day Kindergarten	1	1		1	1							
One												
Two												
Three	4	4		4	4							
Four	1	1		1	1		1	1		1	1	
Five	3	3		3	3							
Six												
Seven	2	2		1	1		2	2		1	1	
Eight												
Subtotal	14	14		13	13		4	4		3	3	
Special Ed - Elementary	8	8		7	7		2	2		2	2	
Special Ed - Middle												
Subtotal	8	8		7	7		2	2		2	2	
Totals	22	22		20	20		6	6		5	5	
Percentage Error			0%			0%			0%			0%

	Transportation		
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors
Reg. - Public Schools, col. 2	565	565	
Reg -SpEd, col. 8	81	81	
Transported - Non-Public, col. 6	177	177	
Special Ed Spec, col. 7	41	41	
Totals	864	864	
Percentage Error			0%

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

Reported	Re-Calculated
4.4	4.4
4.4	4.4
4.6	4.6

**COLTS NECK SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 13, 2018**

	Resident ELL 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	4	4		3	3	
Three	1	1		1	1	
Four	1	1		1	1	
Five	1	1		1	1	
Six	1	1		1	1	
Seven	2	2		2	2	
Eight						
Subtotal	11	11		10	10	
Special Ed - Elementary	1	1		1	1	
Special Ed - Middle	1	1		1	1	
Subtotal	2	2		2	2	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	13	13		12	12	
Percentage Error			0%			0%



**TOWNSHIP OF COLTS NECK SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**SECTION 1**

General Fund Expenditures:		
Fiscal Year Ended June 30, 2019		27,509,279.22
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$3,785,020.07	
		3,785,020.07
Adjusted General Fund Expenditures		23,724,259.15
Excess Surplus Percentage		2.00%
Subtotal		474,485.18
Increased by:		
Federal Impact Aid	\$645,857.79	
Extraordinary Aid (Unbudgeted)	289,159.00	
Non-Public Transportation Aid (Unbudgeted)	17,439.00	
		952,455.79
Maximum Unassigned Fund Balance		1,426,940.97

**SECTION 2**

Total General Fund Balance		\$8,231,984.00
Decreased by:		
Assigned:		
Year End Encumbrances	\$68,874.17	
Designated for Subsequent Year's Expenditures	681,005.56	
Legally Restricted:		
Excess Surplus-Designated for Subsequent Year's Expenditures	500,279.44	
Maintenance Reserve	445,345.00	
Impact Aid Reserve	1,833,631.00	
Capital Reserve	2,883,128.40	
Emergency Reserve	93,000.00	
		6,505,263.57
Total Unassigned Fund Balance		1,726,720.43
Restricted Fund Balance-Excess Surplus		\$299,779.46

**SECTION 3**

Recapitulation of Excess Surplus as of June 30, 2019		
Restricted Excess Surplus-Designated for Subsequent Years Expenditures		\$500,279.44
Restricted Excess Surplus		299,779.46
Total		800,058.90



