

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
INDEPENDENT AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2019**

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
TABLE OF CONTENTS**

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

**Page No.**

Report of Independent Auditor's	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4-5
School Food Service	5
Student Body Activity	5
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 Findings	6
Suggestions to Management	6
Schedule of Meal Count Activity / Net Cash Resources – Not Applicable	7
Schedule of Net Cash Resources – Not Applicable	7
Schedule of Audited Enrollments	8-10
Calculation of Excess Surplus	11
Recommendations	12
Acknowledgement	12



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
DONNA L. JAPHET, CPA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

Honorable President and Members  
of the Board of Education  
Montville Township Public Schools  
Montville, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Montville Township Public Schools as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 11, 2019.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP

Gary J. Vinci  
Public School Accountant  
PSA CS00829

Fair Lawn, New Jersey  
November 11, 2019

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Superintendent of Schools, the activities of the Board of Education and the records of the various funds under the auspices of the Board of Education.

**Administrative Practices and Procedures**

**Insurance**

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, "Schedule of Insurance", as presented in the District's Comprehensive Annual Financial Report (the "CAFR").

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Katine M. Slunt	School Business Administrator	\$350,000

There is a Public Employees' Faithful Performance Blanket Position Bond with General Security Property and Casualty Company covering all other employees with multiple coverage of \$250,000.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

An examination of claims paid during the period under review did not reveal any discrepancies with respect to signature certification, proper itemization or supporting documentation.

**Payroll Account**

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of payroll taxes were deposited in the Payroll Agency Account.

All payrolls tested were certified by the President of the Board, Board Secretary/School Business Administrator and Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits contribution withholdings due to the General Fund. The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Financial Planning, Accounting and Reporting (Continued)**

Employee Position Control Roster

The District has implemented and maintains a personnel tracking and accounting (Position Control) system.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

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 randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.3.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in very good condition.

The prescribed contractual order system was followed.

Acknowledgment of the Board's receipt of the Board Secretary's monthly financial reports was included in the minutes.

Elementary and Secondary Education Act (E.S.E.A.) as Amended by the Every Student Succeeds Act (E.S.S.A.)

The E.S.E.A./E.S.S.A. financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I, II, III and IV of the Elementary and Secondary Education Act, as amended.

Our examination indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the Single Audit Section of 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 contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Financial Planning, Accounting and Reporting (Continued)**

**T.P.A.F. Reimbursements**

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

**T.P.A.F. Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditure charged to the current year's Final Reports 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 and no exceptions were noted.

**Office of Fiscal Accountability and Compliance Review Report**

During fiscal year 2018/19, the Department of Education, State of New Jersey completed a review of the District's Application for State School Aid (ASSA), District Report of Transported Resident Students (DRTRS) and Extraordinary Aid for Special Education Costs Application (EXAID) for the 2016-17 fiscal year. As a result of this review, the Office of Fiscal Accountability and Compliance recommended the following:

- The District enhance procedures to cross reference reported ASSA enrollment to the October New Jersey School Registers and other supporting workpapers.
- The District report all students eligible for Speech Only services as required by the ASSA instructions.
- The District report transported students based on actual special needs identified in each student IEP.
- The supporting audit documentation system be enhanced by coordination between the school district business office and the special services office at the time of submission of the EXAID application. Specific attention must be paid to Extended School Year length which is a minimum of 210 days for EXAID purposes.

The District has completed and filed the required corrective action plan with respect to the State review, therefore no additional recommendation is warranted for this audit report.

**School Purchasing Programs**

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) \$40,000 (with a Qualified Purchasing Agent) on \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000.

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. 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. The Board has designated the School Business Administrator as the qualified purchasing agent.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board Attorney'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.

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**School Purchasing Programs (Continued)**

The results of our examination did not indicate any individual payments, contracts or agreements which were made “for the performance of any work or the furnishing of any materials or supplies,” in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision 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; however, our testing revealed that the District utilized State contracts and New Jersey purchasing consortiums during 2018/19.

**School Food Service**

The financial transactions and statistical records of the school food services were maintained in satisfactory condition.

Expenditures were separately recorded as food, labor and other costs. Inventory records on food 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 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 months average expenditures.

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

The District does not participate in the National School Lunch Program and has contracted with Pomptonian to operate and manage its food service program for 2018/19.

Provisions of the food service management company (FSMC) contract/addendum were reviewed and audited.

**Finding** – Our audit indicated that the unrestricted net position of the Food Service Enterprise Fund was in a deficit position at year end in the amount of \$42,085. This deficit occurred in a prior year and has been reduced in the last two (2) fiscal years. As the District continues to make efforts to fund this deficit on an annual basis, no audit recommendation is warranted.

**Student Body Activity**

The Board has a policy, which clearly established the regulation of student activity funds.

Cash receipts and disbursements records for all schools were maintained in satisfactory condition.

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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, low-income and bilingual. 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. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district did maintain workpapers on the prescribed state forms or their equivalent.

**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 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 School Development Authority (the "SDA") grant agreements for consistency in recording SDA revenue and the awarding of contracts for eligible facilities construction.

**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 Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on the prior year finding.

**Suggestions to Management**

Cooperative purchasing agreements and state contracts for vendors paid in excess of the bid threshold be specifically approved in and made part of the official minutes.



**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
FOOD SERVICE ENTERPRISE FUND  
NUMBER OF MILK SERVED AND (OVER)/UNDERCLAIM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOT APPLICABLE**

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
FOOD SERVICE ENTERPRISE FUND  
NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOT APPLICABLE**

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2018**

	2019-2020 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 years	11		11					9		9						
Half Day Preschool - 4 years	-		-													
Full Day Preschool - 3 years	23		23					19		19						
Full Day Preschool - 4 years	-		-													
Half Day Kindergarten	-		-													
Full Day Kindergarten	208		208					42		42						
One	208		208					43		43						
Two	200		200					45		45						
Three	198		198					37		37						
Four	224		224			-		58		58						
Five	252		252					42		42						
Six	236		236					236		236		-				
Seven	224		224					224		224		-				
Eight	271		271					271		271						
Nine	197		197					197		197		-				
Ten	240		240					240		240						
Eleven	264	4	265	4				265		265		-				
Twelve	246	1	246	1	-	-		246		246		-	-			
Subtotal	3,002	5	3,003	5	-	-		1,974	-	1,974	-	-	-	-	-	-
Spec Ed - Elementary	216		215		(1)			45		45		-		7.0	6.0	6.0
Spec Ed- Middle School	171		172					171		172		1		10.0	8.0	8.0
Spec Ed - High School	198	14	198	14	-	-		198		198		-	-	18.0	16.0	16.0
Subtotal	585	14	585	14	(1)	-		414	-	415	-	1	-	35.0	30.0	30.0
Totals	3,587	19	3,588	19	(1)	-		2,388	-	2,389	-	1	-	35.0	30.0	30.0
Percentage Error					-0.03%	0.00%						0.04%	0.00%			0.00%

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2018**

	Low Income			Sample for Verification			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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
	Half Day Pre-School (3 Yrs)											
Half Day Pre-School (4 Yrs)			-									
Full Day Preschool - 3 years												
Full Day Preschool - 4 years			-									
Half Day Kindergarten												
Full Day Kindergarten	4	4	-	2	2		-	-		-	-	
One	3	3	-	2	2	-	-	-		-	-	
Two	5	5	-	3	3	-	1	1		1	1	-
Three	4	3	(1.0)	3	3	-	-	-		-	-	
Four	2	3	1.0	2	2	-	-	-		-	-	
Five	3	3	-	2	2		-	-		-	-	
Six	1	1	-	1	1		-	-		-	-	
Seven	6	6	-	3	3		-	-		-	-	
Eight	3	3	-	2	2	-	-	-		-	-	
Nine	9	9	-	3	2		-	-		-	-	
Ten	5	5	-	3	3		1	1		1	1	
Eleven	6	6	-	3	2	(1)	-	-		-	-	
Twelve	2	2	-	1	1	-	-	-		-	-	
Subtotal	53	53	-	30	28	(1)	2	2	-	2	2	-
Spec Ed - Elementary	19	18	(1.0)	7	7	-	1	1		1	1	-
Spec Ed- Middle School	8	9	1.0	2	2	-	-	-		-	-	
Spec Ed - High School	11	12	1	1	1	-	-	-		-	-	
Subtotal	38	39	1	10	10	-	1	1	-	1	1	-
Totals	91	92	1	40	38	(1)	3	3	-	3	3	-
Percentage Error			<u>1.10%</u>			<u>-2.50%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	1291.0	1,291.0	-	57.0	57.0	-
Transported- Non- Public	16.0	16.0	-	1.0	1.0	
Sp. Ed. (w/o sp. needs) in district	163.0	163.0		7.0	7.0	
Sp. Ed (with sp. needs)	101.0	101.0	-	5.0	5.0	-
Totals	1,571.0	1,571.0	-	70.0	70.0	-
			<u>0.00%</u>			<u>0.00%</u>

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2018**

	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 Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Full Day Pre-School (3 Yrs)						
Full Day Pre-School (4 Yrs)						
Half Day Kindergarten						
Full Day Kindergarten	19	19		19	19	
One	10	10		10	10	
Two	2	2		2	2	
Three	1	1		1	1	
Four	1	1		1	1	
Five	-	-	-	-	-	
Six	-	-	-	-	-	
Seven	3	3		3	3	
Eight	-	-	-	-	-	
Nine	4	4	-	4	4	
Ten	3	3		3	3	
Eleven	3	3		3	3	
Twelve	2	2	-	2	2	-
Subtotal	<u>48</u>	<u>48</u>	-	<u>48</u>	<u>48</u>	-
Spec Ed - Elementary	2	1	(1)	1	1	
Spec Ed- Middle School	1	1	-	1	1	
Spec Ed - High School	3	3	-	3	3	-
Subtotal	<u>6</u>	<u>5</u>	<u>(1)</u>	<u>5</u>	<u>5</u>	-
Totals	<u>54</u>	<u>53</u>	<u>(1)</u>	<u>53</u>	<u>53</u>	-
Percentage Error			<u>-1.85%</u>			<u>0.00%</u>

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

2018-2019 Total General Fund Budgetary Expenditures		\$ 87,172,049
Increased by:		
Transfer to Food Service Enterprise Fund		49,327
Decreased by:		
Acquisitions Under Capital Lease	\$ (574,597)	
On-Behalf TPAF Pension & Social Security	<u>(12,286,637)</u>	
		<u>(12,861,234)</u>
Adjusted 2018-2019 General Fund Expenditures		<u>\$ 74,360,142</u>
2% of Adjustment 2018-2019 General Fund Expenditures	\$ 1,487,203	
Increased by Allowable Adjustments		
Extraordinary Aid	25,948	
Non Public Transportation	<u>59,209</u>	
Maximum Unassigned Fund Balance		<u>\$ 1,572,360</u>
Total General Fund - Fund Balance at June 30, 2019 (Per CAFR Budgetary Comparison Schedule C-1)		\$ 7,649,438
Decreased by:		
Encumbrances	\$ 99,540	
Excess Surplus - Designated for Subsequent Year's Budget Restricted Fund Balance		
Capital Reserve	3,151,146	
Maintenance Reserve	400,000	
Assigned - Designated for Subsequent Year's Budget	<u>1,426,392</u>	
		<u>5,077,078</u>
Total Unassigned Fund Balance		<u>2,572,360</u>
Fund Balance - Excess Surplus		<u>\$ 1,000,000</u>
<b><u>Recapitulation of Excess Surplus at June 30, 2019</u></b>		
Excess Surplus - Designated for Subsequent Year's Budget		\$ -
Excess Surplus		<u>1,000,000</u>
		<u>\$ 1,000,000</u>

**MONTVILLE TOWNSHIP PUBLIC SCHOOLS  
RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

There are none.

**III. School Purchasing Program**

There are none.

**IV. School Food Services**

There are none.

**V. Student Body Activity**

There are none.

**VI. Application for State School Aid**

There are none.

**VII. Pupil Transportation**

There are none.

**VIII. Facilities and Capital Assets**

There are none.

**IX. Status of Prior Years' Audit Findings/Recommendations**

The prior year recommendation was reviewed. Corrective action was taken.

**ACKNOWLEDGEMENT**

We received the complete cooperation of all the officials of the school district and would like to thank the Business Office, Superintendent's Office and their staff for the courtesies extended to us.

Respectfully submitted,  
LERCH, VINCI & HIGGINS, LLP



Gary J. Vinci  
Certified Public Accountant  
Public School Accountant