

**AUDITORS MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
SCHOOL DISTRICT OF THE  
BOROUGH OF SPRING LAKE  
COUNTY OF MONMOUTH, NEW JERSEY  
JUNE 30, 2019**

**SCHOOL DISTRICT OF THE BOROUGH OF SPRING LAKE**  
**COUNTY OF MONMOUTH, NEW JERSEY**

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

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## REPORT OF INDEPENDENT AUDITORS

Honorable President and  
Members of the Board of Education  
Borough of Spring Lake School District  
County of Monmouth, 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 Board of Education of the Borough of Spring Lake School District in the County of Monmouth for the year ended June 30, 2019, and have issued our report thereon dated November 25, 2019.

As part of our audit, we performed procedures required by the New Jersey Department of Education, 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 of the Borough of Spring Lake Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Paul J. Cuva*

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No. 766

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November 25, 2019

**ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Reconciler of School Monies, the activities of the Board of Education, 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, Insurance Schedule contained in the District's CAFR.

**Officials Bonds**

<u>Name</u>	<u>Position</u>	
Louise Davis	Interim Business Administrator	\$200,000
Denise McCarthy	Business Administrator/Board Secretary	\$200,000

There is a Public Employees' Dishonesty with Faithful Performance Blanket Position Bond with New Jersey School Board Association Insurance Group covering all other employees with multiple coverage of \$500,000.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

An examination of claims submitted for payment during the period under review did not reveal any material discrepancies with respect to signatures, certification 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 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/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the General Fund.

## **Financial Planning, Accounting and Reporting, (continued)**

### **Payroll Account, (continued)**

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was filed by the March 15 due date.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

### **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 for 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 reserves 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:23A-8.2. As a result of the procedures performed, a transaction error rate of 0.00% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **Board Secretary's Records**

Our review of the financial and accounting records maintained by the Board Secretary were found to be in good condition, except for the following:

#### **Finding 2019-01 (CAFR Finding 2019-1):**

The special revenue subsidiary ledger was not in agreement with the Board Secretary's report.

#### **Recommendation:**

That the special revenue fund subsidiary ledger be in agreement and balanced to the Board Secretary's report on a monthly basis.

## **Financial Planning, Accounting and Reporting, (continued)**

### **Fixed Assets**

The general fixed asset records were updated for the additions and disposals of general fixed assets made through June 30, 2019.

### **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.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

### **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.

The study of compliance for the special projects indicated that there were no areas of noncompliance.

### **T.P.A.F. Reimbursement**

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

### **Non Public State Aid**

Project completion reports were finalized and transmitted to the State Department of Education by the due date.

## **School Purchasing Programs**

### **Contracts and Agreements Requiring Advertisement for Bids**

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term ‘competitive contracting’, which is defined as “the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received.” Also, subsection (aa) defines the term ‘concession’ to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a “Qualified Purchasing Agent” (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. “In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted.”

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agency) and \$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.

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 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. No violations were discovered.

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 provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

### **School Food Services**

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. No exceptions were noted.

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.

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

### **Student Activity Fund**

During our review of the student activity funds, the following items were noted.

A cash receipts and disbursements record is maintained in satisfactory condition.

All receipts were promptly deposited in the bank.

### **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 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.

### **Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2018-2019 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. No exceptions were noted in our review of transportation related purchases of goods and services.



### **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 did submit 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 Years' Findings**

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

The Special Revenue Fund subsidiary ledger should be reconciled and in agreement with the Board Secretary's report.

### **Acknowledgment**

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

*Paul J. Cuva*

Paul J. Cuva, C.P.A.  
Licensed Public School Accountant  
No. 766

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Pompton Lakes, New Jersey

November 25, 2019

**BOROUGH OF SPRING LAKE, NEW JERSEY SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY**

**ENROLLMENT AS OF OCTOBER 15, 2018**

**SCHEDULE OF AUDITED ENROLLMENTS**

	2019-20120 Application for State School Aid				Sample for Verification				Private Schools for Disabled				
	Reported on A.S.S.A. On Roll		Workpapers On Roll		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared			
Full Day Preschool	12		12		12		12						
Full Day Kindergarten	10		10		10		10						
One	15		15		15		15						
Two	10		10		10		10						
Three	15		15		15		15						
Four	26		26		26		26						
Five	14		14		14		14						
Six	9		9		9		9						
Seven	18		18		18		18						
Eight	27		27		27		27						
Nine													
Ten													
Eleven													
Twelve													
Subtotal	156	0	156	0	156	0	156	0	0	0	0	0	0
Special Ed - Elementary	8		8		8		8				0	0	0
Special Ed - Middle School	12		12		12		12				2	2	2
Special Ed - High School											6	6	6
Subtotal	20	0	20	0	20	0	20	0	0	0	8	8	8
Co. Voc. - Regular													
Co. Voc. Ft. Post Sec.													
Totals	176	0	176	0	176	0	176	0	0	0	8	8	0
Percentage Error									0.00%	0.00%			0.00%

**SCHEDULE OF AUDITED ENROLLMENTS**  
**BOROUGH OF SPRING LAKE, NEW JERSEY SCHOOL DISTRICT**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2018**

	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	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 Test Score and Register
Half Day Preschool	0	0	0	0	0	0	0	0
Full Day Kindergarten								
One								
Two								
Three								
Four								
Five								
Six								
Seven								
Eight								
Subtotal	0	0	0	0	0	0	0	0
Special Ed - Elementary	1	1	1	1	0	0	0	0
Special Ed - Middle	0	0	0	0				
Special Ed - High	0	0	0	0				
Subtotal	1	1	1	1	0	0	0	0
Co. Voc. - Regular	1	1	1	1	0	0	0	0
Co. Voc. Ft. Post Sec.								
Totals	1	1	1	1	0	0	0	0
Percentage Error			0.00%				0.00%	

	Transportation		Sample for Verification		Resident LEP Low Income		Sample for Verification	
	Reported on DTRRS by DOE/county	Reported on DTRRS by District	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 Test Score and Register
Reg. - Public Schools, col. 1	27	27	27	27	0	0	0	0
Reg - SpEd, col. 4	2	2	2	2				
Transported - Non-Public, col. 2	58	58	58	58				
Special Ed Spec, col. 6	10	10	10	10				
Totals	97	97	97	97	0	0	0	0
Percentage Error			0.00%				0.00%	

Reg Avg (Mileage) = Regular Including Grade PK students (Part A) 11.0 11.0  
 Reg Avg (Mileage) = Regular Excluding Grade PK students (Part B) 11.0 16.4  
 Spec Avg. = Special Ed with Special Needs 16.4 16.4

**BOROUGH OF SPRING LAKE, NEW JERSEY SCHOOL DISTRICT**

**APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018**

**SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP NOT Low Income		Sample for Verification		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool					
Full Day Kindergarten					
One					
Two					
Three					
Four					
Five					
Six					
Seven					
Eight					
Subtotal	0	0	0	0	0
Special Ed - Elementary					
Special Ed - Middle					
Special Ed - High					
Subtotal	0	0	0	0	0
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	0	0	0	0	0
Percentage Error					

**BOROUGH OF SPRING LAKE, NEW JERSEY SCHOOL DISTRICT**  
**EXCESS SURPLUS CALCULATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**REGULAR DISTRICT**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>8,014,053</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK - Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK - Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>775,524</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 18-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>7,238,529</u>	(B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ <u>144,771</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000</u>	(B5)
Increased by: Allowable Adjustment*	\$ <u>215,376</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$ <u>465,376</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-19 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>2,518,727</u>	(C)
Decreased by:		
Year End Encumbrances	\$ <u>53,306</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted Excess Surplus - Designated for Designated for Subsequent Year's Expenditures**	\$ <u>495,681</u>	(C3)
Other Restricted Fund Balances****	\$ <u>956,383</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>140,226</u>	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	\$ _____	(C6)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$ <u>873,131</u> (U1)

**SECTION 3**

Restricted Fund Balance - Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0-	\$ <u>407,755</u>	(E)
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**Recapitulation of Excess Surplus as of June 30, 2019**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>495,681</u>	(C3)
Reserved Excess Surplus***[(E)]	\$ <u>407,755</u>	(E)
Total Excess Surplus [(C3)+(E)]		\$ <u>903,436</u> (D)

**Footnotes:**

\* Allowable Adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

(H) Federal Impact Aid. The passage of P.L. 2015, c. 46 amended N.J.S.A. 18A:7-F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid;

(J1) Extraordinary Aid;

(J1) Additional Nonpublic School Transportation Aid

(J3) Current Year School Bus Advertising Revenue Recognized

(J4) Family Crisis Transportation Aid.

Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

**Detail of Allowable Adjustments**

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ 208,519	(J1)
Additional Nonpublic School Transportation Aid	\$ 6,857	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 \$ 215,376	 (K)

\*\* This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amounts must agree to the June 30, 2019 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

\*\*\*\* Amount of Other Reserved Fund Balance must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

**Detail of Other Restricted Fund Balance**

Statutory restrictions:

Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ 518,008
Maintenance reserve	\$ 249,977
Emergency reserve	\$ 188,398
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - current year	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
 Total Other Restricted Fund Balance	 \$ 956,383 (C4)

**SPRING LAKE SCHOOL DISTRICT**

**AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**1. Administrative Practices and Procedures**

None

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

**Finding 2019-01 (CAFR Finding 2019-1):**

The special revenue subsidiary ledger was not in agreement with the Board Secretary's report.

**Recommendation:**

That the special revenue fund subsidiary ledger be in agreement and balanced to the Board Secretary's report on a monthly basis.

**3. School Purchasing Programs**

None

**4. School Food Services**

None

**5. Student Activity Fund**

None

**6. Application for State School Aid**

None

**7. Pupil Transportation**

None

**8. Facilities and Capital Assets**

None

**SPRING LAKE SCHOOL DISTRICT**

**AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

(Continued)

**9. Miscellaneous**

None

**10. Status of Prior Year Audit Findings/Recommendations**

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings, except for the following:

The Special Revenue Fund subsidiary ledger should be reconciled and in agreement with the Board Secretary's report.