

*Auditor's Management Report*

*for the*

*Spotswood Borough  
School District*

*in the*

*County of Middlesex  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2021*



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

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Accounts	2-3
Position Control Roster	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act (E.S.E.A) as amended by Every Student Succeeds Act (ESSA)	3
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	4-5
School Food Service Funds	6
Student Body Activities	6
Pupil Transportation	7
Facilities and Capital Assets	7
Application for State School Aid	7
Miscellaneous	7
Follow-Up on Prior Year's Audit Finding	8
Recommendations	9
Schedule of Meal Count Activity	N/A
Application for State School Aid Summary Enrollment	10-12
Schedule of Meal County Activity	13
Net Cash Resource Schedule	14
Excess Surplus Calculation	15

**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, 2021, and have issued our report dated February 7, 2022

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, 2022

**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 ACFR. (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, 2021 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 Every Student Succeeds Act (ESSA)**

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under Title I and Title VI of the Elementary and Secondary Education Act as amended and reauthorized.

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

**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 ACFR.

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 ACFR. This section of the ACFR 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-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 \$32,000.00, 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 \$44,000.00. Such authorization may be granted for each contract for 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."

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

**School Purchasing Programs (Continued)**

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

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, 2020, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$32,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$44,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,600.00.

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.

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.



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

**School Food Service Funds**

**COVID – 19 Emergency**

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter and Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A. 18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Price meal eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced price meal eligible students during the emergency.

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 (ACFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

We also inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations. We also inquired if the FSMC received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA. The loan is still being reviewed for forgiveness at this time.

**Student Body Activities**

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

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

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2020-2021 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.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2020 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 with one minor 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).

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

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

All Prior year findings have been corrected.

**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 Findings have been corrected



**SPOTSWOOD BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2020**

GRADE	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.A. as Low Income	Reported on A.S.A. 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	6	6		4	4		1	4		1	1	
Full Day Preschool 4 years old	12	12		7	7		1	7		1	1	
Full Day Kindergarten	5	5		3	3							
One	13	13		8	8							
Two	10	10		6	6		1	1		1	1	
Three	8	8		5	5							
Four	14	14		9	9							
Five	9	9		6	6							
Six	8	8		6	6							
Seven	13	13		8	8							
Eight	14	14		9	9							
Nine	6	6		4	4							
Ten	11	11		7	7		2	2		2	2	
Eleven	130	130		82	82							
Twelve												
Subtotal	177	177	0%	110	110	0%	3	3	0%	3	3	0%
Special Ed - Elementary	23	23		13	13		1	1		1	1	
Special Ed - Middle	13	13		8	8							
Special Ed - High School	11	11		7	7							
Subtotal	47	47		28	28		1	1		1	1	
Totals	177	177	0%	110	110	0%	3	3	0%	3	3	0%
Percentage Error												

**Transportation**

GRADE	Transportation			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on DRTS by DOE/county	Reported on DRTS by District	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
Reg. - Public Schools, col. 2, 3, 5	277	277		144	144							
Reg -SpEd, col. 8	4	4		2	2							
Special Ed Spec, col. 11	19	19		10	10							
Totals	300	300		156	156							
Percentage Error												

Avg. Mileage - Regular Including Grade PK students 3.8  
 Avg. Mileage - Regular Excluding Grade PK students 3.8  
 Avg. Mileage - Special Ed with Special Needs 9.7

**SPOTSWOOD BOROUGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2020**

	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	5	5		5	5	
Two	1	1		1	1	
Three	2	2		2	2	
Four	2	2		1	1	
Five	2	2		1	1	
Six	2	2		2	2	
Seven						
Eight	1	1		1	1	
Nine	1	1		1	1	
Ten	1	1		1	1	
Eleven						
Twelve						
Subtotal	17	17		15	15	
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High School						
Subtotal						
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	17	17		15	15	
Percentage Error			0%			0%

SPOTSWOOD BOROUGH SCHOOL DISTRICT  
SCHEDULE OF MEAL COUNT ACTIVITY  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE</u>	<u>OVER/ (UNDER) CLAIM</u>
National School Lunch	Free	<u>53,521</u>	<u>53,521</u>	<u>0.00</u>	3.510	<u>\$0.00</u>
	<u>TOTAL</u>	<u>53,521</u>	<u>53,521</u>	<u>0.00</u>		<u>\$0.00</u>
National School Lunch	HHFKA - PB Lunch Only	<u>53,521</u>	<u>53,521</u>	<u>0.00</u>	\$0.070	<u>\$0.00</u>
	Paid			0.00		\$0.00
	Reduced			0.00		\$0.00
School Breakfast Program (Non-Severe Need)	Free	<u>32,465</u>	<u>32,465</u>	<u>0.00</u>	1.890	<u>\$0.00</u>
	<u>TOTAL</u>	<u>32,465</u>	<u>32,465</u>	<u>0.00</u>		<u>\$0.00</u>



**SPOTSWOOD BOROUGH SCHOOL DISTRICT  
NET CASH RESOURCE SCHEDULE - FOOD SERVICE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

A School Food Authority is required to maintain a nonprofit School Food Service. The nonprofit status of the School Food Service is determined by evaluating net cash resources. Net cash resources may not exceed three months average expenditures.

As illustrated in the schedule below, the Districts Net Cash Resources (\$5,533.72) do not exceed three months average expenditures (\$87,851.92)

<u>Net Cash Resources:</u>		<b>Food Service B - 4/5</b>
<b>CAFR</b>	<b>Current Assets*</b>	
B-4	Cash & Cash Equivalents	(\$16,787.08)
B-4	Accounts Receivable	32,844.15
<b>CAFR</b>	<b>Current Liabilities</b>	
B-4	Less Accruals	
B-4	Less Due to Other Funds	
B-4	Less Unearned Revenue	(10,523.35)
	<b>Net Cash Resources</b>	<b>\$5,533.72 (A)</b>
<u>Net Adj. Total Operating Expense:</u>		
B-5	Tot. Operating Exp.	\$306,115.72
B-5	Less Depreciation	(13,276.00)
	Adj. Tot. Oper. Exp.	<b>\$292,839.72 (B)</b>
<u>Average Monthly Operating Expense:</u>		
	B / 10	<b>\$29,283.97 (C)</b>
<u>Three times monthly Average:</u>		
	3 X C	<b>\$87,851.92 (D)</b>

TOTAL IN BOX A	\$5,533.72	
LESS TOTAL IN BOX D	(87,851.92)	
NET	<b>(\$82,318.20) &lt;&lt;----Deficit</b>	
<p><b>A is greater than D, cash exceeds 3 X average monthly operating expenses. D is greater than A, cash does not exceed 3 X average monthly operating expenses.</b></p>		

\* Inventories are not to be included in total current assets.

## EXCESS SURPLUS CALCULATION

### SECTION 1

General Fund Expenditures:

Fiscal Year Ended June 30, 2021 \$32,018,021.06

Increased by:

Transfer from Capital Outlay to Capital Projects		\$16,238.31
		\$32,034,259.37

Less On-Behalf TPAF Pension and Social Security	\$5,073,562.34	
		5,073,562.34

Adjusted General Fund Expenditures 26,960,697.03

Excess Surplus Percentage 4.00%

Subtotal 1,078,427.88

Increased by:

Extraordinary Aid (Unbudgeted)	243,443.00	
Non-Public Transportation Aid (Unbudgeted)	15,080.00	
		258,523.00

Maximum Unreserved/Undesignated Fund Balance \$1,336,950.88

### SECTION 2

Total General Fund Balance \$ 12,000,118.55

Decreased by:

Legally Restricted:

Excess Surplus - Designated for Subsequent Year's Expenditures	1,368,222.70	
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Maintenance Reserve	3,957,190.57	
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Capital Reserve	3,816,927.71	
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Assigned:

Encumbrances	115,955.87	
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Designated for Subsequent Year's Expenditures	4,494.06	
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Designated for Subsequent Year's Expenditures - SEMI - FFCRA	15,507.30	
		9,278,298.21

Total Unassigned Fund Balance 2,482,005.00

Reserved Fund Balance-Excess Surplus \$1,145,054.12

### SECTION 3

Recapitulation of Excess Surplus as of June 30, 2021

Reserved Excess Surplus-Designated for Subsequent Years Expenditures \$1,368,222.70

Reserved Excess Surplus 1,145,054.12

Total \$2,513,276.82



