

Auditor's Management Report

for the

*Spotswood Borough
School District*

in the

*County of Middlesex
New Jersey*

for the

*Fiscal Year Ended
June 30, 2023*

**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
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, 2023, and have issued our report dated January 10, 2024

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

January 10, 2024

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.

P.L 2020, c 44

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A.18A:16-13.3 (Chapter 44) submitted for the year on audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted included all health benefit plans offered by the district. The district's school project data certification was completed by the chief school administrator.

The district's project Chapter 44 data was submitted timely.

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.

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

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.

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, 2022 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.

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

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.

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.

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

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.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A.18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law.

The Board of Education may, by resolution, approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 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 \$20,200.00.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A.18A:18A-4.

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

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal however, that the district made purchases through the use of state contracts.

School Food Service Funds

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. Exceptions were not noted.

We also 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. Exceptions were not noted.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (ACFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

We 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.

Net Cash Resources exceeded three months average expenditures. The District is in the process of identifying ways to eliminate the excess

Student Body Activities

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2022-2023 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.

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

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 14, 2022 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 no exceptions. 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.

Proprietary Fund – Children's After School Recreation and Enrichment (CARES)

Finding 2023-002: We noted that the CARES fund operated at a deficit as of June 30, 2023.

The operations of the CARES fund were discontinued following summer 2023 programming. At that point the fund was no longer in a deficit position. As a result, no recommendation is required.

Miscellaneous

The school district adhered to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities. The District submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

Not Applicable

**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

Not Applicable

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2022**

GRADE	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	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.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	18	18		10	10		2	2		2	2	
Full Day Preschool 4 years old	13	13		7	7		3	3		3	3	
Full Day Kindergarten	14	14		8	8		4	4		4	4	
One	14	14		8	8		3	3		3	3	
Two	8	8		5	5		1	1		1	1	
Three	11	11		6	6		1	1		1	1	
Four	17	17		9	9		1	1		1	1	
Five	19	19		10	10		4	4		4	4	
Six	11	11		6	6							
Seven	9	9		5	5							
Eight	12	12		7	7		1	1		1	1	
Nine	11	11		6	6		1	1		1	1	
Ten	14	14		8	8							
Eleven	171	171		95	95		21	21		21	21	
Twelve												
Subtotal	221	221	0%	126	126	0%	21	21	0%	21	21	0%

Special Ed - Elementary	25	25		17	17							
Special Ed - Middle	12	12		7	7							
Special Ed - High School	13	13		7	7							
Subtotal	50	50		31	31							
Totals	221	221	0%	126	126	0%	21	21	0%	21	21	0%
Percentage Error												

Reg. - Public Schools, col. 2, 3, 5 Reg - SpEd, col. 8 Transported - Non-Public, col. 6 Special Ed Spec, col. 11	Transportation			Re-				
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors	Reported	Calculated
Totals	264	264		137	137		4.4	4.4
Percentage Error							4.4	4.4
							10.2	10.2

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2022**

	2023-24 Application for State School Aid (10/14/22 data)				Sample for Verification				Private School for Disabled					
	Reported as on Roll		Reported on 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 Verified	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool 3 years of	8		8		1		1							
Full Day Preschool 4 years of	20		20		3		3							
Full Day Kindergarten	87		87		15		15							
One	69		69		12		12							
Two	79		79		13		13							
Three	86		86		14		14							
Four	63		63		11		11							
Five	69		69		12		12							
Six	100		100		17		17							
Seven	97		97		16		16							
Eight	102		102		14		14							
Nine	149		149		31		31							
Ten	188		188		27		27							
Eleven	152		152		29		29							
Twelve	173		173		26		26							
Subtotal	1442		1442		241		241							
Sp. Ed. - Elementary	69		69		12		12			1		1		1
Sp. Ed. - Middle School	38		38		6		6			2		2		2
Sp. Ed. - High School	83		83		13		13			6		5		5
Subtotal	190		190		31		31			9		8		8
Co. Voc. - Regular														
Co. Voc. Ft. Post Sec.														
Totals	1632		1632		272		272			9		8		8
Percentage Error					0%		0%			0%		0%		0%

**SPOTSWOOD BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2022**

	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	2	2		1	1	
Two	2	2		2	2	
Three	4	4		3	3	
Four	2	2		2	2	
Five	1	1		1	1	
Six	2	2		1	1	
Seven	1	1		1	1	
Eight	2	2		2	2	
Nine	1	1		1	1	
Ten	1	1		1	1	
Eleven						
Twelve	1	1		1	1	
Subtotal	19	19		16	16	
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High School						
Subtotal						
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	19	19		16	16	
Percentage Error			0%			0%

EXCESS SURPLUS CALCULATION

SECTION 1

General Fund Expenditures:

Fiscal Year Ended June 30, 2023 \$34,768,243.02

Increased by:

Transfer from Capital Outlay to Capital Projects

\$34,768,243.02

Less On-Behalf TPAF Pension and Social Security

\$6,360,169.69

6,360,169.69

Adjusted General Fund Expenditures

28,408,073.33

Excess Surplus Percentage

2.00%

Subtotal

568,161.47

Increased by:

Extraordinary Aid (Unbudgeted)

179,818.00

Supplemental Stabilization Aid

109,486.00

Non-Public Transportation Aid (Unbudgeted)

20,904.00

310,208.00

Maximum Unreserved/Undesignated Fund Balance

\$878,369.47

SECTION 2

Total General Fund Balance

\$ 15,117,008.51

Decreased by:

Legally Restricted:

Excess Surplus - Designated for Subsequent Year's Expenditures

3,230,035.48

Maintenance Reserve

3,138,557.79

Capital Reserve

3,650,739.85

Emergency Reserve

150,000.00

Assigned:

Encumbrances

1,005,985.06

Designated for Subsequent Year's Expenditures

823,505.52

11,998,823.70

Total Unassigned Fund Balance

2,878,369.47

Restricted Fund Balance-Excess Surplus

\$2,000,000.00

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2023

Restricted Excess Surplus-Designated for Subsequent Years Expenditures

\$3,230,035.48

Restricted Excess Surplus

2,000,000.00

Total

\$5,230,035.48

