

Auditor's Management Report

for the

*Township of Montgomery
School District*

in the

*County of Somerset
New Jersey*

for the

*Fiscal Year Ended
June 30, 2019*

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

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Montgomery School District
County of Somerset
Skillman, New Jersey 08558

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Township of Montgomery School District in the County of Somerset for the year ended June 30, 2019, and have issued our report dated November 22, 2019.

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

This report is intended solely for the information of the Township of Montgomery School District, County of Somerset, 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

November 22, 2019

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

SCOPE OF AUDIT

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Township of Montgomery Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

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

Insurance coverage was carried in the amounts as detailed in the District's CAFR (See Exhibit "J-20").

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Charisse D. Gutierrez	Treasurer of School Monies	\$400,000.00
Mark Kramer	Interim Board Secretary/School Business Administrator	25,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with SAIF covering all other employees with coverage of \$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 actual costs differed from the estimated costs. The Board made a proper adjustment to the billings to sending Districts for the difference in per pupil costs in accordance with N.J.A.C. 6A-23A-17.1(f)3.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

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

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

Payroll Account

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 properly remitted to the proper agencies, including health benefits withholdings due to the general fund.

Payrolls were delivered to the treasurer of school moneys 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.

Finding 2019-001: During the course of our audit, we noted that the internal controls the district had in place for the verification of new employees being added to the Position Control Roster were not always followed.

Recommendation 2019-001: The District follow all its controls in place with regards to new employees being verified to the Position Control Roster.

Reserve for Encumbrances, Liability (Current) for Accounts Payable

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

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 specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

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

Board Secretary's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer of School Monies.

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

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

The E.S.S.A./NCLB 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 Title I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

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

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 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

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

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 States:

"a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000.00, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971 c. 198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

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

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

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent), \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

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

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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

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

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

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 audit did reveal however, that the District did make purchases under State contracts and cooperative purchasing agreements.

FOOD SERVICE FUND

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 SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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

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

STUDENT BODY ACTIVITIES

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

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

The district has adequate procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on roll status reported in the 2018-19 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

FACILITIES

Our procedures included review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES

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 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 YEAR'S FINDINGS

In accordance with Government Auditing Standards, our procedures included a review of the prior year audit recommendations. Corrective action had been taken on all prior year findings.

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

RECOMMENDATIONS

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

Recommendation 2019-001: The District follow all its controls in place with regards to new employees being verified to the Position Control Roster.

School Purchasing Program

None

School Food Service

None

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Facilities and Capital Assets

None

Prior Year's Findings/Recommendations

None

TOWNSHIP OF MONTGOMERY SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2018

	2019-20 Application for State School Aid						Sample for Verification				Private School for Handicapped					
	Reported on A.S.S.A. as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Reported as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day PreSchool	27	0	27		-		3		3		-					
Half Day Kindergarten	191	0	191		-		12		12		-					
One	246	0	246		-		16		16		-					
Two	288	0	288		-		19		19		-					
Three	285	0	285		-		18		18		-					
Four	333	0	333		-		22		22		-					
Five	310	0	310		-		20		20		-					
Six	315	0	315		-		20		20		-					
Seven	329	0	329		-		21		21		-					
Eight	373	0	373		-		24		24		-					
Nine	344	0	344	0	-	-	22		22		-					
Ten	373	2	373	2	-	-	24	1	24	1	-	-				
Eleven	350	1	350	1	-	-	23		23		-	-				
Twelve	357	1	357	1	-	-	23		23		-	-				
Subtotal	4121	4	4121	4	0	0	267	1	267	1	0	0	0	0	0	0
SpEd Elementary	213	0	213	0	-	-	14		14		-	-	2	2	2	-
SpEd Middle School	156	0	156	0	-	-	10		10		-	-	5	4	4	-
SpEd High School	185	2	185	2	-	-	12		12		-	-	11	9	9	-
Subtotal	554	2	554	2	0	0	36	0	36	0	0	0	18	15	15	0
Totals	4675	6	4675	6	0	0	303	1	303	1	0	0	18	15	15	0
Percentage					0.00%	0.00%					0.00%	0.00%				0.00%

TOWNSHIP OF MONTGOMERY SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2018

	62%			86%		
	Low Income	Sample for Verification	Resident LEP Low Income	Sample for Verification	Sample Selected from Workpapers	Sample for Verification
	Reported on A.S.S.A. as Low Income	Reported on A.S.S.A. as Low Income	Reported on A.S.S.A. as LEP Low Income	Reported on A.S.S.A. as LEP Low Income	Sample Selected from Workpapers	Sample for Verification and Register
	Workpapers as Low Income	Workpapers as Low Income	Workpapers as LEP Low Income	Workpapers as LEP Low Income	Workpapers	Registered
	Income	Income	Income	Income	Errors	Sample Errors
Half Day Preschool	0	0	0	0	-	-
Half Day Kindergarten	0	0	0	0	-	-
One	7	7	4	4	-	-
Two	8	8	5	5	-	-
Three	7	7	4	4	-	-
Four	13	13	8	8	-	-
Five	8	8	5	5	-	-
Six	14	14	9	9	-	-
Seven	9	9	6	6	-	-
Eight	9	9	6	6	-	-
Nine	12	12	7	7	-	-
Ten	10	10	6	6	-	-
Eleven	11	11	7	7	-	-
Twelve	8	8	5	5	-	-
Subtotal	116	116	72	72	0	0
SpEd Elementary	18	18	11	11	-	-
SpEd Middle School	15	15	9	9	-	-
SpEd High School	19	19	12	12	-	-
SpEd Alt Voc High School	1	1	1	1	-	-
Subtotal	53.0	53.0	33	33	0	0
Totals	169.0	169.0	105	105	0	0
Percentage Error					0.00%	0.00%

Transportation					
Reported on DRTS by DOE	Reported on DRTS by District	303 Tested	Verified	Errors	Percentage Error
Reg Public Schools, col.1	3,714	299	299	0	0.00%
Reg. - SpEd, Col.4	407	0	0	0	0.00%
AIL - Non-Public, col.3	365	175	175.2	0	0.00%
Transported - Non-Public, col.2	0	197	197	0	0.00%
Special Ed Spec. col.6	151	94	93.62	0	0.00%
Totals	4637	764.82	764.82	0	0.00%

TOWNSHIP OF MONTGOMERY SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool	0	0	-	0	-	-
Half Day Kindergarten	7	7	-	5	5	-
One	11	11	-	8	8	-
Two	10	10	-	8	8	-
Three	9	9	-	7	7	-
Four	3	3	-	2	2	-
Five	8	8	-	6	6	-
Six	7	7	-	5	5	-
Seven	10	10	-	8	8	-
Eight	4	4	-	3	3	-
Nine	5	5	-	4	4	-
Ten	4	4	-	3	3	-
Eleven	1	1	-	1	1	-
Twelve	4	4	-	3	3	-
Subtotal	83	83	0	63	63	0
SpEd Elementary	2	2	-	2	2	-
SpEd Middle School	2	2	-	2	2	-
SpEd High School	0	0	-	0	0	-
SpEd Alt Voc High School	0	0	-	0	0	-
Subtotal	4	4	0	4	4	0
Totals	87	87	0	67	67	0
Percentage Error			0.00%			0.00%

MONTGOMERY SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2018 - 2019 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 96,015,282.51	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		
Transfer from Capital Reserve to Capital Projects Fund		
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 12,645,141.37	
Assets acquired under Capital Leases	871,222.21	
Adjusted 2018 - 2019 General Fund Expenditures		\$ 82,498,918.93
2% of Adjusted 2018 - 2019 General Fund Expenditures		\$ 1,649,978.38
Greater of line above or \$250,000.00		\$ 1,649,978.38
Increased by: Allowable Adjustment		\$ 1,288,400.00
Maximum Unreserved/Undesignated Fund Balance		\$ 2,938,378.38

SECTION 2

Total General Fund - Fund Balances @ 6-30-19	\$ 13,642,235.42	
Decreased by:		
Year-end Encumbrances	\$ 129,539.81	
Legally Restricted-Designated for Subsequent Year's Expenditures	\$	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ 4,041,485.00	
Other Resticted Fund Balances:		
Emergency Reserve	\$ 316,715.09	
Capital Reserve	\$ 3,282,103.18	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$	
Total Unassigned Fund Balance		\$ 5,872,392.34

SECTION 3

Restricted Fund Balance-Excess Surplus \$ 2,934,013.96

Recapitulation of excess surplus as of June 30, 2019

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures \$ 4,041,485.00

Reserved Excess Surplus \$ 2,934,013.96

Total Excess Surplus \$ 6,975,498.96

Detail of Allowable Adjustments

Extraordinary Aid \$ 1,182,550.00

Additional Non-Public School Transportation Aid 105,850.00

\$ 1,288,400.00



