

Auditor's Management Report

for the

*Township of Berkeley Heights
School District*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2018*

**AUDITOR'S MANAGEMENT REPORT ON 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 Trustees
Berkeley Heights Board of Education
Berkeley Heights, New Jersey 07922

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 Berkeley Heights School District in the County of Union for the year ended June 30, 2018, and have issued our report dated February 5, 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 Berkeley Heights School District, County of Union, 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 5, 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 the activities of the Township of Berkeley Heights - 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 the Insurance Schedule (Exhibit J-20) contained in the District's Comprehensive Annual Financial Report (CAFR).

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

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Harold Kessler	Treasurer of School Monies	\$300,000.00
Donna Felezzola	Business Administrator/Board Secretary	\$300,000.00

There is a Public Employees' Blanket Position Bond with Selective Insurance Company covering all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The board made a proper adjustment to the billings to sending districts for the per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

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

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

Financial Planning, Accounting and Reporting (Continued)

Payroll Accounts (Continued)

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 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.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued 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 selection 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 the test the propriety of expenditure classification.

Board Secretary's Records

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

Treasurer's Records

The records maintained by the Treasurer 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./Improving America's Schools Act (IASA) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A./N.C.L.B. 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 III 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 Exhibits K-3 and K-4 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 semi-monthly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund.

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.

School Purchasing Program

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 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, 2016, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. 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 \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$19,000.00.

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.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

School Food Service

The District has elected not to participate in the federally assisted child nutrition programs encompassing the National School Lunch, Breakfast and Special Milk programs.

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.

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 13, 2017 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 with minor exceptions. The information that was included on the workpapers was verified with minor 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 had written procedures for the recording of student enrollment.

**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 2017-2018 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. 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.

Capital Assets and Facilities

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

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 Prior Year's Audit Findings

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations. Corrective action has 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

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

Miscellaneous

None

BERKELEY HEIGHTS SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2017

	2018-19 Application for State School Aid (10/15/17 data)						Sample for Verification						Private School for Disabled							
	Reported as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Reported on A.S.A. as Private Schools		Sample Verified		Sample Errors			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared		
Half Day Preschool - 3 Yr	16	-	16	-	-	-	2	-	2	-	-	-	-	-	-	-	-	-	-	
Half Day Preschool - 4 Yr	22	-	22	-	-	-	2	-	2	-	-	-	-	-	-	-	-	-	-	
Half Day Kindergarten	103	-	103	-	-	-	11	-	11	-	-	-	-	-	-	-	-	-	-	
One	152	-	152	-	-	-	17	-	17	-	-	-	-	-	-	-	-	-	-	
Two	162	-	162	-	-	-	18	-	18	-	-	-	-	-	-	-	-	-	-	
Three	176	-	176	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	-	
Four	145	-	145	-	-	-	16	-	16	-	-	-	-	-	-	-	-	-	-	
Five	148	-	148	-	-	-	17	-	17	-	-	-	-	-	-	-	-	-	-	
Six	196	-	196	-	-	-	22	-	22	-	-	-	-	-	-	-	-	-	-	
Seven	150	-	150	-	-	-	17	-	17	-	-	-	-	-	-	-	-	-	-	
Eight	126	-	126	-	-	-	14	-	14	-	-	-	-	-	-	-	-	-	-	
Nine	189	-	189	-	-	-	21	-	21	-	-	-	-	-	-	-	-	-	-	
Ten	239	-	239	-	-	-	27	-	27	-	-	-	-	-	-	-	-	-	-	
Eleven	205	1	205	1	-	-	23	1	23	1	-	-	-	-	-	-	-	-	-	
Twelve	236	1	236	1	-	-	26	1	26	1	-	-	-	-	-	-	-	-	-	
Subtotal	2,265	2	2,265	2	0	0	253	2	253	2	0	0	0	0	0	0	0	0	0	
Sp. Ed - Elementary	110	0	110	-	-	-	12	-	12	-	-	-	-	-	-	-	-	-	-	
Sp. Ed - Middle School	94	0	94	-	-	-	10	-	10	-	-	-	-	-	-	-	-	-	-	
Sp. Ed - High School	140	12	140	12	-	-	16	9	16	9	-	-	-	-	-	-	-	-	-	
Subtotal	344	12	344	12	0	0	38	9	38	9	0	0	0	0	0	0	0	0	0	
Co. Voc. - Regular	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	2,609	14	2,609	14	0	0	291	11	291	11	0	0	0	0	0	0	0	0	0	
Percentage Error					0.00%	0.00%					0.00%	0.00%							0.00%	

**BERKELEY HEIGHTS SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017**

	Resident Low Income		Resident ELL Low Income		Sample for Verification		Sample for Verification	
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Reported on A.S.S.A. as ELL low Income	Reported on Workpapers as ELL low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day Preschool - 3 Yr	-	-	-	-	-	-	-	-
Half Day Preschool - 4 Yr	-	-	-	-	-	-	-	-
Full Day Kindergarten								
One	1	1			1	1		
Two	1	1			1	1		
Three	1	1			1	1		
Four	1	1			1	1		
Five	3	3			2	2		
Six	1	1			1	1		
Seven	1	1			1	1		
Eight	1	1			1	1		
Nine	4	4			3	3		
Ten	1	1		1	1	1	1	1
Eleven	2	2			2	2		
Twelve	2.5	3			2	2		
Subtotal	19.5	19.5		1	17	17	1	1
Sp. Ed - Elementary	3	3			1	1		
Sp. Ed - Middle School	7	7			1	1		
Sp. Ed - High School	3.5	3.5			1	1		
Subtotal	13.5	14			3	3		
Totals	33.0	33.0		1.0	20	20	1.0	1
Percentage Error							(d)	

	Transportation	
	Reported on DRTS by DOE/county	Reported on DRTS by District
Reg. - Public Schools, col. 1	798	798
Reg -SpEd, col. 4	15	15
Transported - Non-Public, col. 3	171	171
Special Ed Spec, col. 6	24	24
Totals	1,008	1,008

Reg Avg. (Mileage) = Regular Including Grade PK students (Part) 4.5
 Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part) 4.5
 Spec Avg. = Special Ed with Special Needs 8.2

Reported 4.5
 Recalculated 4.5
 Reported 4.5
 Recalculated 8.2

**BERKELEY HEIGHTS SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2017**

	Resident ELL 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 - 3 Yr			-	0		-
Half Day Preschool - 4 Yr			-	0		-
Half Day Kindergarten						
One	3	3		3	3	
Two	3	3		0	0	
Three	2	2		2	2	
Four	1	1		1	1	
Five	1	1		1	1	
Six	0	0		0	0	
Seven	1	1		0	0	
Eight	1	1		1	1	
Nine	0	0		0	0	
Ten	0	0		0	0	
Eleven	1	1		1	1	
Twelve	1	1		1	1	
Subtotal	14	14	0	10	10	0
Special Ed - Elementary	1	1	-	1	1	-
Special Ed - Middle			-	0	0	-
Special Ed - High			-	0	0	-
Subtotal	1	1	0	1	1	0
Co. Voc. - Regular				0	0	-
Co. Voc. Ft. Post Sec.	0	0	-	0	0	-
Totals	15.0	15	0.0	11.0	11	0
Percentage Error			0.00%			0.00%

TOWNSHIP OF BERKELEY HEIGHTS SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2017 - 2018 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 57,432,800.30
Increased by:	
Transfer from Capital Reserve to Capital Projects Fund	800,000.00
Decreased by:	
On-Behalf TPAF Pension & Social Security	7,333,517.05
Assets Acquired Under Capital Leases	<u>2,064,952.67</u>
Adjusted 2017 - 2018 General Fund Expenditures	\$ <u>48,834,330.58</u>
2% of Adjusted 2017 - 2018 General Fund Expenditures	\$ <u>976,686.61</u>
Greater of Line Above or \$250,000.00	\$ <u>976,686.61</u>
Increased by: Allowable Adjustment	\$ <u>383,086.00</u>
Maximum Unreserved/Undesignated Fund Balance	\$ <u><u>1,359,772.61</u></u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-2018	\$ <u>4,242,228.68</u>
Decreased by:	
Year-End Encumbrances	414,168.78
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	736,156.19
Other Restricted Fund Balances	1,051,168.79
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>99,050.81</u>
Total Unassigned Fund Balance	\$ <u>1,941,684.11</u>

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ <u><u>581,911.50</u></u>
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Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>736,156.19</u>
Reserved Excess Surplus	\$ <u>581,911.50</u>
Total Excess Surplus	\$ <u><u>1,318,067.69</u></u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 333,496.00
Additional Non-Public School Transportation Aid	<u>49,590.00</u>
	\$ <u><u>383,086.00</u></u>

Detail of Other Restricted Fund Balance:

Capital Reserve	\$ <u>1,051,168.79</u>
	\$ <u><u>1,051,168.79</u></u>

