



**BERNARDS TOWNSHIP SCHOOL DISTRICT
COUNTY OF SOMERSET**

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
JUNE 30, 2020**

BERNARDS TOWNSHIP SCHOOL DISTRICT

**Auditor’s Management Report on Administrative Findings-
Financial, Compliance and Performance**

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Independent Auditors' Report

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

We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Bernards Township School District in the County of Somerset for the year ended June 30, 2020, and have issued our report thereon dated January 29, 2021.

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

This report is intended solely for the information of the Bernards Township Board of Education's management and Board members and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Scott A. Clelland
Licensed Public School Accountant
No. 1049

WISS & COMPANY, LLP

Florham Park, New Jersey
January 29, 2021

BERNARDS TOWNSHIP SCHOOL DISTRICT

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

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education and 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 on J-20, Insurance Schedule contained in the District's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Roderic McLaughlin	School Business Administrator/Board Secretary	\$369,000
Michael Petrizzo	Treasurer of School Moneys	430,000

There is a Public Employees' Faithful Performance Bond with the General Security Property and Casualty Company covering all other employees with coverage of \$250,000.

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 increase (decrease) 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 did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls 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.

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.

BERNARDS TOWNSHIP SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS-FINANCIAL, COMPLIANCE AND PERFORMANCE

An inquiry and subsequent review of the Position Control Roster did not identify any inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

During our payroll testing, we did not note any exceptions.

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. No exceptions were identified.

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, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary did not disclose any exceptions.

Treasurer's Records

Our review of the records of the Treasurer did not disclose any exceptions.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the Comprehensive Annual Financial Report (CAFR). This section of the CAFR documents the financial position pertaining to the projects under Titles I and IV of the Elementary and Secondary Education Act as amended and reauthorized.

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

Other Special Federal and/or State Projects

The District's special projects were approved as listed on Schedule A (K-3) and Schedule B (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.

BERNARDS TOWNSHIP SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS-FINANCIAL, COMPLIANCE AND PERFORMANCE

The study of compliance for the special projects indicated no instances of noncompliance or questioned cost.

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 District did not employ full-time employees with federal funds during the 2019-20 school year, therefore, the District was not required 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.

Nonpublic State Aid

Our review of the Nonpublic State Aid completion reports disclosed no exceptions.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating the bidding for public school transportation contracts under *N.J.S.A. 18A:39-3* is \$19,000 for 2019-20.

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

Based on the results of our audit, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there have 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*.

During our review of the District purchasing process, no exceptions were identified.

School Food Service

The District does not participate in the federal or state Child Nutrition Program.

Exhibits reflecting the food service enterprise fund are included in the B-4 through B-6 section of the CAFR.

BERNARDS TOWNSHIP SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS-FINANCIAL, COMPLIANCE AND PERFORMANCE

COVID-19 EMERGENCY

In accordance with the Governor's Declaration of Emergency pertaining to the COVID-19 Virus all Public, Charter, Non-Public schools were ordered to close effective 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, SFA's 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 SFA's 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.

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.

Student Body Activities

During our review of the student activity funds, no exceptions were noted.

Application for State School Aid (ASSA)

Because the General State Aid cluster was not tested as a major program in the 2020 fiscal year, our audit procedures did not include a test of information reported in the October 15, 2019 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income and bilingual. We did agree the ASSA summary report to the underlying District working papers without exception. We also performed a review of the District procedures related to its completion.

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

The District written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Because Transportation Aid was not tested as a major program in the 2020 fiscal year, our audit procedures did not include a test of on-roll status reported in the 2019-2020 District Report of Transported Resident Students (DRTRS). We did agree the information presented on the DRTRS by the County/NJDOE and compared to the information presented by the District without exception.

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

BERNARDS TOWNSHIP SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS-FINANCIAL, COMPLIANCE AND PERFORMANCE

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 and Capital Assets

Our procedures included a review of the New Jersey Schools Development Authority (“NJSDA”) grant agreements for consistency with recording NJSDA 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 District adhered to all the requirements of *N.J.A.C. 26-1.2 and 12.4* related to the testing for lead of all drinking water in educational facilities.

The District submitted the annual Statement of Assurance to the Department of Education, pursuant to *N.J.A.C. 6A:26-12.4(g)*.

Miscellaneous

Information Technology

We suggest the District strengthen some of its policies related to information technology, including:

- District employees’ passwords to include additional number of characters and include a combination of numbers, symbols and case, as well as requiring that they be changed more frequently, rather than every twelve months.
- Implementing a money wiring policy.

Follow-up on Prior Year’s Findings

There were no prior year findings.

There were no audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC) during the 2020 fiscal year.

Acknowledgment

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

BERNARDS TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

Note: Detailed testing over ASSA, DRTRS, and Non-public transportation was not performed for the fiscal year ended June 30, 2020 as the General State Aid Cluster and Transportation Aid were not tested as a major program in the current year for Single Audit purposes.

SCHEDULE OF AUDITED ENROLLMENTS

	Application for State School Aid				Sample for Verification				Private Schools for Disabled							
	Reported on A.S.S.A. On Roll	Shared	Full	Workpapers On Roll	Errors Full	Shared	Sample Selected from Workpapers Full	Shared	Registers On Roll Full	Shared	Sample for Verification	Shared	Registers On Roll Full	Shared	Sample Verified	Errors
Half Day Preschool																
Full Day Preschool																
Half Day Kindergarten																
Full Day Kindergarten																
One	227		227													
Two	288		288													
Three	318		318													
Four	332		332													
Five	335		335													
Six	357		357													
Seven	389		389													
Eight	389		389													
Nine	346	5	346	5												
Ten	389	3	389	3												
Eleven	405	4	405	4												
Twelve	387	3	387	3												
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	4,447	15	4,447	15												
Special Ed - Elementary	226		226													
Special Ed - Middle School	147		147													
Special Ed - High School	275	5	275	5												
Subtotal	648	5	648	5												
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	5,095	20	5,095	20												
Percentage Error					0.00%								0.00%			0.00%

**BERNARDS TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

Note: Detailed testing over ASSA, DRTRS, and Non-public transportation was not performed for the fiscal year ended June 30, 2020 as the General State Aid Cluster and Transportation Aid were not tested as a major program in the current year for Single Audit purposes.

SCHEDULE OF AUDITED ENROLLMENTS

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Sample	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors	Sample
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One	4	4					1	1				
Two	5	5					2	2				
Three	6	6					2	2				
Four	5	5										
Five	6	6					2	2				
Six	8	8					1	1				
Seven	4	4										
Eight	3	3					1	1				
Nine	1	1										
Ten	4	4					2	2				
Eleven	3	3					1	1				
Twelve	5	5					2	2				
Post-Graduate	5	5					1	1				
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	58	58	-	-	-	-	15	15	-	-	-	-
Special Ed - Elementary	9	9										
Special Ed - Middle	6	6										
Special Ed - High	7	7										
Subtotal	22	22	-	-	-	-			-	-	-	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	80	80	0	0	0	0	15	15	0	0	0	0
Percentage Error			0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%
Transportation												
Reported on DRTRS by DOE/county	2,146	2,146										
Reported on DRTRS by District	306	306										
Errors	260	260										
Subtotal	157	157										
Totals	2,869	2,869	-	-	-	-			-	-	-	-
Percentage Error			0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%
Reg - Public Schools												
Reg -SpEd	2,146	2,146										
Transported - Non-Public	306	306										
Special Ed Spec	260	260										
Totals	157	157										
Subtotal	2,869	2,869	-	-	-	-			-	-	-	-
Percentage Error			0.00%	0.00%	0.00%	0.00%			0.00%	0.00%	0.00%	0.00%
Reg Avg.(Mileage) = Regular Including Grade PK students											4.4	4.4
Reg Avg.(Mileage) = Regular Excluding Grade PK students											4.4	4.4
Spec Avg. = Special Ed with Special Needs											5.3	5.3
Reported											4.4	4.4
Recalculated											4.4	4.4

BERNARDS TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

Note: Detailed testing over ASSA, DRTRS, and Non-public transportation was not performed for the fiscal year ended June 30, 2020 as the General State Aid Cluster and Transportation Aid were not tested as a major program in the current year for Single Audit purposes.

SCHEDULE OF AUDITED ENROLLMENTS

	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	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool					
Full Day Preschool					
Half Day Kindergarten					
Full Day Kindergarten					
One	3	3			
Two	7	7			
Three	8	8			
Four	9	9			
Five	2	2			
Six	2	2			
Seven	3	3			
Eight	1	1			
Nine	4	4			
Ten	1	1			
Eleven	4	4			
Twelve	2	2			
Post-Graduate					
Adult H.S. (15+CR.)					
Adult H.S. (1-14 CR.)					
Subtotal	46	46	-	-	-
Special Ed - Elementary	1	1			
Special Ed - Middle					
Special Ed - High					
Subtotal	1	1	-	-	-
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	47	47	-	-	-
Percentage Error		0.00%			0.00%

BERNARDS TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2020

SECTION 1

A. 2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 108,831,001</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -</u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ 724,621</u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	<u>\$ -</u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	<u>\$ -</u>	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>\$ 15,531,667</u>	(B2a)
Assets Acquired Under Capital Leases	<u>\$ -</u>	(B2b)
Adjusted 2019-20 General Fund Expenditures [(B) + (B1s) - (B2s)]	<u>\$ 94,023,955</u>	(B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	<u>\$ 1,880,479</u>	(B4)
Enter Greater of (B4) or \$250,000	<u>\$ 1,880,479</u>	(B5)
Increased by: Allowable Adjustment*	<u>\$ 1,866,617</u>	(K)
Maximum Unassigned/Undesignated - Unreserved Fund Balance [(B5) + (K)]	<u>\$ 3,747,096</u>	(M)

SECTION 2

Total General Fund - Fund Balances at 6-30-20 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 26,161,559</u>	(C)
Decreased by:		
Assigned Year End Encumbrances	<u>\$ 204,321</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -</u>	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	<u>\$ 3,028,692</u>	(C3)
Other Restricted Fund Balances****	<u>\$ 14,422,512</u>	(C4)
Assigned Fund Balance-Unreserved - Designated for Subsequent Year's Expenditures	<u>\$ -</u>	(C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2020 - August 1, 2020	<u>\$ 430,992</u>	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	<u>\$ 8,075,042</u>	(U1)

BERNARDS TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2020

SECTION 3

Restricted Fund Balance - Excess Surplus ***
[(U1)-(M)] IF NEGATIVE ENTER -0- \$ 4,327,946 (E)

Recapitulation of Excess Surplus as of June 30, 2020

Reserved Excess Surplus - Designated for Subsequent Year's
Expenditures ** \$ 3,028,692 (C3)
Reserved Excess Surplus *** [(E)] \$ 4,327,946 (E)

Total Excess Surplus [(C3)+(E)] \$ 7,356,638 (D)

Detail of Allowable Adjustments

Impact Aid \$ _____ - (H)
Sales & Lease-back \$ _____ - (I)
Extraordinary Aid \$ 1,853,567 (J1)
Additional Nonpublic School Transportation Aid \$ 13,050 (J2)
Current Year School Bus Advertising Revenue Recognized \$ _____ - (J3)
Family Crisis Transportation Aid \$ _____ - (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)] \$ 1,866,617 (K)

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

*** Amount must agree to the June 30, 2020 CAFR and must agree to Audit Summary Line 90030.

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

BERNARDS TOWNSHIP SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2020

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	-
Sale/lease-back reserve	\$	-
Capital reserve	\$	8,925,119
Emergency reserve	\$	910,666
Maintenance reserve	\$	4,586,727
Tuition reserve	\$	-
School Bus Advertising 50% Fuel Offset-current year	\$	-
School Bus Advertising 50% Fuel Offset-prior year	\$	-
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	-
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$	-
Other State / government mandated reserve	\$	-
[Other Restricted Fund Balance not noted above]****	\$	-
 Total Other Restricted Fund Balance	\$	<u>14,422,512</u> (C4)

Bernards Township School District

Audit Recommendations Summary

June 30, 2020

Recommendations:

1. **Administrative Practices and Procedures**
None
2. **Financial Planning, Accounting and Reporting**
None
3. **School Purchasing Programs**
None
4. **School Food Service**
None
5. **Student Body Activities**
None
6. **Application for State School Aid**
None
7. **Pupil Transportation**
None
8. **Facilities and Capital Assets**
None
9. **Miscellaneous**
None
10. **Status of Prior Year Audit Findings/Recommendations**
N/A – no prior year audit findings.