

*Auditor's Management Report*

*for the*

*Somerset Hills  
School District*

*in the*

*County of Somerset  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2020*



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

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**Tax ID Number      22-6001657**





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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Somerset Hills School District  
County of Somerset  
Bernardsville, New Jersey 07924

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 Somerset Hills School District in the County of Somerset for the year ended June 30, 2020, and have issued our report dated January 6, 2021.

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 Somerset Hills 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. 962

January 6, 2021

**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 Somerset Hills 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 CAFR (See Exhibit "J-20").

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

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Heather Goguen	Board Secretary/School Business Administrator	\$240,000.00
Judith Favino	Treasurer of School Monies	\$300,000.00
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 District 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:23-3.1(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, certification or supporting documentation.

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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**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 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 for health benefits were promptly remitted to the general fund.

**Finding:** The District incurred a penalty for the late enrollment of an employee in the PERS pension system.

**Recommendation:** The District should take measures to ensure that all eligible employees are enrolled in the pension system on a timely basis.

**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, 2020 for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered as of June 30, 2020.

**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**

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**Board Secretary's Records**

Our review of the financial records, books of account, and minutes of the Board Secretary revealed the records were maintained in a satisfactory condition.

**Treasurer's Records**

Our audit included an examination of the Treasurer of School Monies' monthly report and bank reconciliations and revealed the records were maintained in a satisfactory condition.

**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 CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles 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 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. 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, 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 \$19,600.00.

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.

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

**SCHOOL PURCHASING PROGRAMS (CONTINUED)**

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

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.

**SCHOOL FOOD SERVICE FUND**

**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 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 eligible students.

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.

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

**SCHOOL FOOD SERVICE FUNDS (CONTINUED)**

The statement of revenues, expenses, and changes in fund net position (CAFR 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.

**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, 2019 Application for State School Aid (A.S.S.A) for on-roll, private schools for the handicapped, and 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 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.

**PUPIL TRANSPORTATION**

Our audit procedures included a test of on roll status reported in the 2019-2020 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.

**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 of 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.

**MISCELLANEOUS**

**Testing for Lead of All Drinking Water in Educational Facilities**

We were advised that 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 submitted the annual 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 status of 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**

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**2020-001**: The District take measures to ensure that all eligible employees are enrolled in the pension system on a timely basis.

3. School Purchasing Program

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's Findings/Recommendations

In accordance with Government Auditing Standards, our procedures included a review of status of prior year audit recommendations. All prior year findings have been corrected.

SOMERSET HILLS SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2019

	2020-2021 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		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Full Day Pre-K 3 yr	4		4		-														
Full Day Pre-K 4 yr	1		1		-														
Full Day Kindergarten	104		104		-		13		13										
One	83		83		-		13		13										
Two	89		89		-		17		17										
Three	105		105		-		14		14										
Four	100		100		-		14		14										
Five	96		96		-		14		14										
Six	95		95		-		17		17										
Seven	111		111		-		19		19										
Eight	124		124		-		15		15										
Nine	154		154		-		23		23										
Ten	172		172		-		26		26										
Eleven	191	3	191	3	-		24		24										
Twelve	172		172		-		27		27										
Subtotal	1,601	3	1,601	3	-		236		236										
SpEd Elementary	99		99		-		15		15					2	1		1		
SpEd Middle School	64		64		-		8		8					3	2		2		
SpEd High School	120	2	120	2	-		20		20					11	10		10		
Res. Mental Health Ctr.					-														
Subtotal	283	2	283	2	-		43		43					16	13		13		
Totals	1,884	5	1,884	5	-		279		279					16.0	13		13		
Percentage																			

SOMERSET HILLS SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2019

	Resident Low Income			Sample for Verification			Resident ELL 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 Application and Register	Sample Errors
Full Day Pre-School	11	11	-	8	8	-	6	6	-	5	5	-
Full Day Kindergarten	14	14	-	9	9	-	11	11	-	9	9	-
One	14	14	-	9	9	-	10	10	-	8	8	-
Two	11	11	-	7	7	-	4	4	-	3	3	-
Three	15	15	-	9	9	-	3	3	-	2	2	-
Four	12	12	-	6	6	-	4	4	-	2	2	-
Five	10	10	-	5	5	-	2	2	-	1	1	-
Six	11	11	-	7	7	-	2	2	-	1	1	-
Seven	9	9	-	5	5	-	5	5	-	4	4	-
Eight	17	17	-	9	9	-	15	15	-	13	13	-
Nine	18	18	-	9	9	-	11	11	-	9	9	-
Ten	16.5	16.5	-	8	8	-	9	9	-	6	6	-
Eleven	10	10	-	5	5	-	5	5	-	3	3	-
Twelve	168.5	168.5	-	96	95.55	-	87	87	-	66	66	-
Subtotal	228.5	228.50	-	132	132	-	95	95	-	72	72	-
SpEd Elementary	22	22	-	15	15	-	5	5	-	4	4	-
SpEd Middle School	16	16	-	8	8	-	-	-	-	-	-	-
SpEd High School	21	21	-	12	12	-	3	3	-	2	2	-
Res. Mental Health Cir.	1	1	-	1	1	-	-	-	-	-	-	-
Subtotal	60.0	60.0	-	36.0	36.0	-	8.0	8.0	-	6.0	6.0	-
Totals	228.5	228.50	-	132	132	-	95	95	-	72	72	-

Percentage Error

Transportation

	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
Reg. Public Schools, col.1	458	458	-	115	115	-
Nonpublic Transportation, col.2	30	30	-	8	8	-
Non-Public AIL, col.3	296	296	-	72	72	-
Reg. - SpEd, Col.4	73	73	-	18	18	-
Special Ed Spec, col.6	74	74	-	19	19	-
Totals	931	931	-	232	232	-

Percentage Error

SOMERSET HILLS SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019

	Resident ELL 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 Pre-School			-			-
Full Day Pre-School			-			-
Full Day Kindergarten	7	7	-	7	7	-
One	1	1	-	1	1	-
Two	0	0	-			-
Three	1	1	-	1	1	-
Four	0	0	-			-
Five	3	3	-	3	3	-
Six	2	2	-	2	2	-
Seven	2	2	-	2	2	-
Eight	1	1	-			-
Nine	5	5	-	4	4	-
Ten	1	1	-	1	1	-
Eleven	2	2	-	1	1	-
Twelve	1	1	-	1	1	-
Subtotal	<u>26</u>	<u>26</u>	<u>-</u>	<u>23</u>	<u>23</u>	<u>-</u>
SpEd Elementary	2	2	-	1	1	-
SpEd Middle School			-			-
SpEd High School			-			-
Res. Mental Health Ctr.	1	1	-			-
Subtotal	<u>2</u>	<u>2</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>28</u>	<u>28</u>	<u>0</u>	<u>24</u>	<u>24</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>



**SOMERSET HILLS SCHOOL DISTRICT**

**SCHEDULE OF CALCULATION OF EXCESS SURPLUS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Section 1- 2% Calculation of Excess Surplus**

2019-20 General Fund Expenditures per the CAFR (Exhibit C-1)		\$ 44,405,490.51
Decreased by:		
On-Behalf TPAF Pension and Social Security	\$ 5,962,740.85	
Assets Acquired Under Capital Leases	249,075.00	
	<u>6,211,815.85</u>	\$ <u>6,211,815.85</u>
Adjusted 2019-20 General Fund Expenditures		\$ <u>38,193,674.66</u>
2% of Adjusted 2019-20 General Fund Expenditures		\$ <u>763,873.49</u>
Greater of 2% or \$250,000	\$ 763,873.49	
Increased by: Allowable Adjustment	704,710.00	
Maximum Unassigned/Undesignated - Unreserved Fund Balance	<u>1,468,583.49</u>	\$ <u>1,468,583.49</u>

**Section 2**

Total General Fund Balances at June 30, 2020 (Exhibit C-1)		\$ 6,699,111.06
Decreased by:		
Year End Encumbrances	\$ 269,654.47	
Assigned - Designated for Subsequent Year's Expenditures	918,462.65	
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	1,119,077.35	
Other Restricted Fund Balances	<u>1,780,381.19</u>	
		<u>4,087,575.66</u>
Total Unassigned Fund Balance		\$ <u>2,611,535.40</u>

**Section 3**

Restricted Fund Balance - Excess Surplus		\$ <u>1,142,951.91</u>
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**Recapitulation of Excess Surplus at June 30, 2020**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 1,119,077.35	
Reserved Excess Surplus - Current Year	<u>1,142,951.91</u>	
Total		\$ <u>2,262,029.26</u>

**Detail of Allowable Adjustments**

Extraordinary Aid (Unbudgeted)	\$ 696,010.00	
Additional Nonpublic School Transportation Aid	8,700.00	
	<u>704,710.00</u>	

**Detail of Other Restricted Fund Balance**

Capital Reserve	\$ 1,539,797.19	
Maintenance Reserve	240,584.00	
	<u>1,780,381.19</u>	



