

HARDING TOWNSHIP SCHOOL DISTRICT
COUNTY OF MORRIS
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2021

HARDING TOWNSHIP SCHOOL DISTRICT
COUNTY OF MORRIS
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2021
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November 15, 2021

The Honorable President and Members
of the Board of Education
Harding Township School District
County of Morris, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Education of the Harding Township School District in the County of Morris for the fiscal year ended June 30, 2021, and have issued our report there on dated November 15, 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 letter does not affect our report dated November 15, 2021, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the suggestions.

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

Nisivoccia LLP

NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell

Licensed Public School Accountant #884

Certified Public Accountant

HARDING TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2021

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, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Joseph Verabaro	Treasurer of School Monies	\$ 185,000
Beverly Vlietstra	Business Administrator/Board Secretary	185,000

The District has Employee Dishonesty and Faithful Performance coverage for the other District employees not separately bonded through School Alliance Insurance Fund as detailed on Exhibit J-20 of the CAFR.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C. 6A:23A-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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. Salary withholdings were promptly remitted to the proper agencies, including health benefit withholdings due to the General Fund.

All payrolls were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Superintendent.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent and business administrator) to the NJ Department of Treasury was filed in a timely manner.

HARDING TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2021

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures – General and Administrative

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-8.2. Overall compliance was noted.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

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 herein within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title II A, and Title IV of the Elementary and Secondary Education Act.

Other Special Federal and/or State Projects

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.

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.

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.

HARDING TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2021

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2021. The reimbursement form was reviewed and no exceptions were noted.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the District to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Education and Superintendent and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred. Overall compliance was noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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

- a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, 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 therefore, 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. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. 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. 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 the year in which it is made"

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 therefore, except as is provided otherwise in this chapter or specifically by any other law"

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$19,600 for 2020-2021.

HARDING TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
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FISCAL YEAR ENDED JUNE 30, 2021

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

The 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 Attorney'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. No exceptions were noted.

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 provision 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.

School Food Service

The District does not participate in the Child Nutrition Program.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the student activity records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have noted no findings.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2020 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income students. 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 3 on-roll, 1 private school for the disabled, and 2 resident low-income errors in reporting students. The information that was included on the workpapers was verified on a test basis with 5 on-roll errors in reporting students. 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's written procedures for the recording of student enrollment data appear to be adequate.

Pupil Transportation

Our audit procedures included a test of on-roll status reported on the 2020-2021 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.

HARDING TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2021

Pupil Transportation (Cont'd)

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Testing for Lead of All Drinking Water in Educational Facilities

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

Facilities and Capital Assets

The District did not have any active SDA projects.

Management Suggestions

Capital Asset Inventory

The District has been maintaining a record of its annual capital asset additions and deletions for reporting purposes. However, the District's fixed asset inventory report should be updated to integrate all additions and deletions on an annual basis. The District has maintained records for reporting purposes and will engage an appraisal company to update its fixed asset inventory report.

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 87, *Leases*, is effective for the fiscal year ended June 30, 2022. Under this statement, the District will be required to recognize a lease liability and an intangible right-to-use asset for each lease agreement with a lease term in excess of 12 months. This statement will enhance the comparability of financial statements among governments by requiring the reporting of leases under a single model. Additionally, certain leases that are currently not reported will be under this statement.

COVID-19 Federal Funding

It is likely that the District will undergo some review of its COVID-19 federal funding if only at a desk review level by state and/or federal agencies. We strongly suggest that the District ensures that these funds are utilized in accordance with the applicable federal requirements especially with respect to procurement. Additionally, we strongly suggest that the District ensures that these funds are accounted for in the state account numbers designated by the NJ Department of Education and that any applicable Board policies are current with respect to federal grant requirements.

Sick and Vacation Leave

It is suggested that the District consult with its attorney to ensure that its negotiated labor contracts, individual employee agreements and employee policies, as applicable, are in accordance with New Jersey statutes regarding unused sick and vacation leave.

Status of Prior Year's Findings/Recommendations

There were no prior year findings or recommendations.

HARDING TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020

	2021-2022 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Selected from		Registers		Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 Years Old	6		6				6		6			
Half Day Preschool 4 Years Old	7		7				7		7			
Full Day Kindergarten	23		20		3		23		20		3	
Grade One	31		31				31		31			
Grade Two	19		19				19		19			
Grade Three	29		29				29		29			
Grade Four	22		22				22		22			
Grade Five	24		24				24		24			
Grade Six	22		21		1		22		21		1	
Grade Seven	29		28		1		29		28		1	
Grade Eight	22		22				22		22			
Subtotal	234		229		5		234		229		5	
Special Education:												
Elementary	27		29		(2)		3		3			
Middle	10		10				2		2			
Subtotal	37		39		(2)		5		5			
Totals	271	-0-	268	-0-	3	-0-	239	-0-	234	-0-	5	-0-
Percentage Error					1.11%	0.00%					2.09%	0.00%

HARDING TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020

	Private Schools for Disabled					Resident Low Income						
	Reported on ASOA Private Schools	Workpapers as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASOA Low Income	Workpapers as Low Income	Reported on ASOA Low Income	Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Grade One								1				(1)
Grade Two						1	2					(1)
Grade Three							1					(1)
Grade Four						1				1	1	1
Grade Seven						1	2				1	(1)
Grade Eight						1	1					
Subtotal						4	7			2		(3)
Special Education:												
Elementary School	6	5	(1)	2	2							
Middle School	1	1		1	1	1						1
Subtotal	7	6	(1)	3	3	1						1
Totals	7	6	(1)	3	3	5	7			2	2	(2)
Percentage Error												
						14.29%						40.00%
												0.00%

HARDING TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	180	180		11	11	
Regular - Special Education	28	28		2	2	
Transported - Non Public	68	68		3	3	
AIL - Non Public	100	100		7	7	
Special Needs - Public	12	12		1	1	
Special Needs - Private	5	5		1	1	
Totals	393	393	- 0 -	25	25	- 0 -
Percentage Error			0.00%			0.00%

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	6.1	6.1
Average Mileage - Regular Excluding Grade PK Students	6.1	6.1
Average Mileage - Special Education with Special Needs	7.8	7.8

HARDING TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2021

EXCESS SURPLUS CALCULATION AT 6/30/2021

REGULAR DISTRICT

SECTION 1

A. 4% Calculation of Excess Surplus

2020-2021 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 12,746,447</u> (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1b)	
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ 259,450</u> (B1c)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 1,375,803</u> (B2a)	
Adjustment for Disallowed Expenditures per S1701	<u>\$ -0-</u> (B2c)	
Adjusted 2020-2021 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 11,630,094</u> (B3)	
4% of Adjusted 2020-2021 General Fund Expenditures [(B3) times .04]	<u>\$ 465,204</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 465,204</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ 89,181</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 554,385</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2021 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 2,210,602</u> (C)	
Decreased by:		
Assigned- Year-end Encumbrances	<u>\$ 80,158</u> (C1)	
Legally Restricted - Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Excess Surplus - Subsequent Year's Expenditures	<u>\$ 330,117</u> (C3)	
Other Restricted Fund Balances	<u>\$ 1,071,013</u> (C4)	
Assigned - Subsequent Year's Expenditures	<u>\$ 38,143</u> (C5)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 691,171</u> (U1)

HARDING TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2021
(Continued)

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0-	<u>136,786</u> (E)
Recapitulation of Excess Surplus as of June 30, 2021	
Restricted Excess Surplus - Subsequent Year's Expenditures	\$ 330,117 (C3)
Restricted Excess Surplus [(E)]	<u>\$ 136,786</u> (E)
Fund Balance Restricted for 2020-2021 per S1701	<u>\$ -0-</u> (F)
Total [(C3)+(E)+(F)]	<u>\$ 466,903</u> (D)
Detail of Allowable Adjustments	
Impact Aid	<u>\$ -0-</u> (H)
Sale and Lease Back	<u>\$ -0-</u> (I)
Extraordinary Aid	<u>\$ 88,420</u> (J1)
Additional Nonpublic School Transportation Aid	<u>\$ 761</u> (J2)
Total Adjustments ((H)+(I)+(J1)+(J2))	<u>\$ 89,181</u> (K)
Detail of Other Restricted Fund Balance	
<u>Statutory restrictions:</u>	
Approved Unspent Separate Proposal	
Capital Outlay for a District with a Capital Outlay SGLA	<u>\$ -0-</u>
Sale and Lease Back Reserve	<u>\$ -0-</u>
Capital Reserve	<u>\$ 1,025,265</u>
Maintenance Reserve	<u>\$ -0-</u>
Emergency Reserve	<u>\$ -0-</u>
Tuition Reserve	<u>\$ -0-</u>
Unemployment Compensation	<u>\$ 45,748</u>
Waiver Offset Reserve	<u>\$ -0-</u>
Other State/Governmental-mandated Reserve	<u>\$ -0-</u>
Total Other Restricted Fund Balance	<u>\$ 1,071,013</u> (C4)

HARDING TOWNSHIP SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2021

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
None
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. Status of Prior Year's Findings/Recommendations
None