

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
COUNTY OF MORRIS
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2021
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Independent Member
BKR International

November 12, 2021

The Honorable President and Members
of the Board of Education
Mendham Township School District
County of Morris, New Jersey

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 Mendham Township School District in the County of Morris for the fiscal year ended June 30, 2021, and have issued our report thereon dated November 12, 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 12, 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 recommendations or suggestions, if any.

This report is intended for the information of the Mendham 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

NISIVOC CIA LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

MENDHAM TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2021
(Continued)

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 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>
Elizabeth George	Treasurer of School Monies	\$ 200,000
Donna Mosner	Business Administrator/Board Secretary	200,000

Tuition Charges

The District did not receive any tuition revenue from other school districts.

Financial Planning, Accounting and Reporting

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.

All payrolls were approved by the Chief School Administrator and certified by the President of the Board, the School Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies including health benefits withholdings due to the General Fund.

The required certification (E-Cert1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents and business administrator) to the New Jersey Department of Treasury was filed by the March 15th due date.

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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2021
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Classification of Expenditures – General and Administrative

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(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 as a test sample, we also reviewed administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.2. As a result of the procedures performed, no transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

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 herein.

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

Other Special Federal and/or State Projects

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

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

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

T.P.A.F. Reimbursement

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

MENDHAM TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2021
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey after the required deadline of October 1, 2021. The reimbursement form was reviewed, and we have no comments except as noted herein.

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.

N.J.S.A. 18A:18A-3 states: 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 2020-21.

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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2021
(Continued)

School Purchasing Programs (Cont'd)

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

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. General compliance was 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 material or supplies", in excess of the statutory thresholds where there had been no advertising 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

The School District did not participate in the Child Nutrition Program during the current fiscal year.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Student Activities 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.

Application for State School Aid

Our audit procedures included a test of enrollments and related services reported in the October 15, 2020 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual education and low income. 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 no exceptions. The information that was included on the workpapers was verified on a test basis with no 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's written procedures appear to be adequate for the recording of student enrollment data.

MENDHAM TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2021
(Continued)

Pupil Transportation

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

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

Facilities and Capital Assets

The District did not have any facilities projects during the fiscal year.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal travel policy and procedure pertaining to travel expenses and reimbursements for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to account for these expenses within a separate account in the budget to ensure that the maximum is not exceeded. The regulations also require that all travel be approved by the Board prior to the event and that the approval list the event, total event cost and the individuals attending.

Our review of the travel policies and records revealed that the District is in general compliance with the travel regulations.

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).

Management Suggestions

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.

MENDHAM TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2021
(Continued)

Management Suggestions (Cont'd)

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

The prior year audit recommendation ensuring federal grant funds are expended in accordance with their requirements was corrected.

MENDHAM 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		Sample		Verified per		Errors per				
	ASSA	On Roll	Workpapers	On Roll	Full	Shared	Full	Shared	Workpapers	Full	Shared	Registers	On Roll	Registers	On Roll
Full Day Preschool 3 Years Old	5		5				5		5			5			
Full Day Preschool 4 Years Old	18		18				18		18			18			
Full Day Kindergarten	83		83				83		83			83			
Grade One	73		73				73		73			73			
Grade Two	84		84				84		84			84			
Grade Three	63		63				63		63			63			
Grade Four	69		69				69		69			69			
Grade Five	48		48				48		48			48			
Grade Six	76		76				76		76			76			
Grade Seven	67		67				67		67			67			
Grade Eight	75		75				75		75			75			
Subtotal	661		661				661		661			661			
Special Education:															
Elementary School	49		49						5			5			
Middle School	32		32						5			5			
Subtotal	81		81						10			10			
Totals	742	- 0 -	742	- 0 -	- 0 -	- 0 -	671	- 0 -	671	- 0 -	- 0 -	671	- 0 -	- 0 -	- 0 -
Percentage Error					0.00%	0.00%								0.00%	0.00%

MENDHAM 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 ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Special Education:									
Elementary	1	1	1		1	1	1	1	
Middle School	1	1	1						
Subtotal	2	2	2		1	1	1	1	
Totals	2	2	2	-0-	1	1	1	1	-0-
Percentage Error				0.00%					0.00%

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

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA as LEP Not Low Income</u>	<u>Reported on Workpapers as LEP Not Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Scores, and Register</u>	<u>Sample Errors</u>
Grade Three	1	1		1	1	
Totals	<u>1</u>	<u>1</u>	<u>- 0 -</u>	<u>1</u>	<u>1</u>	<u>- 0 -</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

MENDHAM 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	377	377		25	25	
Regular - Special Education	65	65		7	7	
Transported - Non Public	19	19		3	3	
AIL - Non Public	61	61		6	6	
Special Needs - Public	28	28		3	3	
Special Needs - Private	2	2		1	1	
Totals	<u>552</u>	<u>552</u>	<u>- 0 -</u>	<u>45</u>	<u>45</u>	<u>- 0 -</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	4.7	4.7
Average Mileage - Regular Excluding Grade PK Students	4.7	4.7
Average Mileage - Special Education with Special Needs	4.3	4.3

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

REGULAR DISTRICT

SECTION 1

4% Calculation of Excess Surplus

2020-2021 Total General Fund Expenditures Reported on Exhibit C-1	<u>\$ 20,581,663</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	_____	(B1a)
Transfer from Capital Reserve to Capital Projects	_____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	_____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	_____	(B1d)
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>2,903,085</u>	(B2a)
Assets Acquired Under Capital Leases	<u>414,332</u>	(B2b)
Adjusted 2020-2021 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 17,264,246</u>	(B3)
4% of Adjusted 2020-2021 General Fund Expenditures [(B3) times .04]	<u>\$ 690,570</u>	(B4)
Enter Greater of (B4) or \$250,000	<u>690,570</u>	(B5)
Increased by: Allowable Adjustments	<u>406,315</u>	(K)
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 1,096,885</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2021 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 5,734,733</u>	(C)
Decreased by:		
Year-End Encumbrances	<u>794,488</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	_____	(C2)
Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	<u>850,000</u>	(C3)
Other Restricted/Reserved Fund Balance	<u>1,859,360</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	_____	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 2,230,885</u> (U1)

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

SECTION 3 - All Districts

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0- \$ 1,134,000 (E)

Recapitulation of Excess Surplus as of June 30, 2021

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures \$ 850,000 (C3)

Restricted Excess Surplus [(E)] 1,134,000 (E)

Total [(C3)+(E)] \$ 1,984,000 (D)

Detail of Allowable Adjustments

Impact Aid (H)

Sale and Lease Back (I)

Extraordinary Aid \$ 386,880 (J1)

Additional Nonpublic School Transportation Aid 19,435 (J2)

Current Year School Bus Advertising Revenue Recognized (J3)

Family Crisis Transportation Aid (J4)

Total Adjustments [(H)+(I)+(J1)+(J2)] \$ 406,315 (K)

Detail of Other Restricted Fund Balances

Statutory Restrictions:

Approved unspent separate proposal

Sale/lease-back reserve

Emergency reserve

Capital reserve \$ 844,630

Maintenance reserve 914,390

Unemployment Compensation 100,340

Total Other Restricted/Reserved Fund Balance \$ 1,859,360 (C4)

MENDHAM TOWNSHIP SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
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

The prior year audit recommendation ensuring federal grant funds are expended in accordance with their requirements was corrected.