

Auditor's Management Report

for the

*Somerset Hills
School District*

in the

*County of Somerset
New Jersey*

for the

*Fiscal Year Ended
June 30, 2021*

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

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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, 2021 and have issued our report dated February 2, 2022.

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

February 2, 2022

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 ACFR (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>
Jinnee DeMarco	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.

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, 2021 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, 2021.

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 ACFR. This section of the ACFR 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 ACFR. 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 ACFR. This section of the ACFR 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-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, 2020, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$32,000.00. 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 \$44,000.00. 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.

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. Our examination did reveal however, that the district made purchases through the use of state contracts.

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

ENTERPRISE FUNDS

COVID – 19 EMERGENCY

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency, 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 (SFAs) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

During 2020-2021 the public health emergency was still applicable. As a result, SFAs were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program.

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 all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

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 students during the emergency.

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. 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 or indirect costs. There were no exceptions noted.

We also inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all 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. We also inquired if the FSMC received a loan in accordance with the payroll protection plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

The Statement of Revenues, Expenses and Changes in Fund Net Position (ACFR Schedule B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

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

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, 2020 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.

APPLICATION FOR STATE SCHOOL AID (CONTINUED)

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 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 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.

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.

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

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

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. 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, 2020

	2021-2022 Application for State School Aid				Sample for Verification				Private School for Handicapped						
	Reported on A.S.S.A. as on Roll Full	Shared	Reported on Workpapers on Roll Full	Shared	Errors Full	Shared	Sample Selected from Workpapers Full	Shared	Verified per Registers on Roll Full	Shared	Errors per Registers on Roll Full	Shared	Reported as Private Schools Full	Sample for Verification Full	Errors Full
Full Day Pre-K 3 yr	1		1		-										
Full Day Pre-K 4 yr	3		3		-										
Full Day Kindergarten	48		48		-		12		12						
One	95		95		-		13		13						
Two	81		81		-		16		16						
Three	74		74		-		14		14						
Four	97		97		-		14		14						
Five	92		92		-		14		14						
Six	93		93		-		17		17						
Seven	92		92		-		19		19						
Eight	110		110		-		15		15						
Nine	176	1	176	1	-		25		25						
Ten	157		157		-		26		26						
Eleven	170		170		-		25		25						
Twelve	188	2	188	2	-		27		27						
Subtotal	1,477	3	1,477	3	-		237		237						
SpEd Elementary	100		100		-		14		14				3	2	2
SpEd Middle School	66		66		-		8		8				1	1	1
SpEd High School	127		127		-		20		20				10	9	9
Subtotal	293		293		-		42		42				14	12	12
Totals	1,770	3	1,770	3	-		279		279				14.0	12	12
Percentage															

SOMERSET HILLS SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2020

	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	5	5	-	2	2	-	1	1	-	1	1	-
Full Day Kindergarten	11	14	(3)	11	11	-	7	7	-	5	5	-
One	15	14	1	13	13	-	11	11	-	8	8	-
Two	12	11	1	10	10	-	10	10	-	7	7	-
Three	16	13	3	6	6	-	5	5	-	3	3	-
Four	18	18	-	8	8	-	2	2	-	2	2	-
Five	15	15	-	7	7	-	2	2	-	2	2	-
Six	11	11	-	2	2	-	3	3	-	2	2	-
Seven	13	13	-	3	3	-	1	1	1	1	1	-
Eight	12	13	(1)	5	5	-	1	1	-	1	1	-
Nine	24	24	-	10	10	-	9	9	-	8	8	-
Ten	17	18	(1)	10	10	-	3	5	(2)	5	5	-
Eleven	19	19	-	9	9	-	3	3	-	2	2	-
Twelve	188	188	-	96	96	-	58	59	-1	45	45	-
Subtotal	241	241	-	138	138	-	68	70	-2	52	52	-
SpEd Elementary	20	20	-	20	20	-	8	8	-	6	6	-
SpEd Middle School	12	12	-	10	10	-	1	1	(1)	1	1	-
SpEd High School	21	21	-	12	12	-	2	2	-	1	1	-
Subtotal	53	53	-	42	42	-	10	11	-1	7	7	-
Totals	241	241	-	138	138	-	68	70	-2	52	52	-

Percentage Error

-2.94%

	Transportation		
	Reported on DTRTS by DOE	Reported on DTRTS by District	Errors
Reg Public Schools, col.1	393	393	-
Nonpublic Transportation, col.2	42	42	-
Non-Public All, col.3	259	259	-
Reg. - SpEd, Col.4	113	113	-
Special Ed Spec, col.6	26	26	-
Totals	833	833	-

Percentage Error

SOMERSET HILLS SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Section 1- 4% Calculation of Excess Surplus

2020-2021 General Fund Expenditures per the ACFR (Exhibit C-1)		\$ 44,450,354.08
Decreased by:		
On-Behalf TPAF Pension and Social Security	\$ 6,981,624.55	\$ <u>6,981,624.55</u>
Adjusted 2020-2021 General Fund Expenditures		\$ <u>37,468,729.53</u>
4% of Adjusted 2020-2021 General Fund Expenditures		\$ <u>1,498,749.18</u>
Greater of 4% or \$250,000	\$ 1,498,749.18	
Increased by: Allowable Adjustment	<u>767,617.00</u>	
Maximum Unassigned/Undesignated - Unreserved Fund Balance		\$ <u>2,266,366.18</u>

Section 2

Total General Fund Balances at June 30, 2021 (Exhibit C-1)		\$ 8,967,316.93
Decreased by:		
Year End Encumbrances	\$ 319,991.95	
Assigned - Designated for Subsequent Year's Expenditures	826,810.09	
Assigned - FFCRA/SEMI-Designated for subsequent year's expenditures	764.51	
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	1,142,951.91	
Other Restricted Fund Balances	<u>2,919,021.78</u>	
		<u>5,209,540.24</u>
Total Unassigned Fund Balance		\$ <u>3,757,776.69</u>

Section 3

Restricted Fund Balance - Excess Surplus		\$ <u>1,491,410.51</u>
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Recapitulation of Excess Surplus at June 30, 2021

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		\$ 1,142,951.91
Reserved Excess Surplus - Current Year		<u>1,491,410.51</u>
Total		\$ <u>2,634,362.42</u>

Detail of Allowable Adjustments

Extraordinary Aid (Unbudgeted)		\$ 680,327.00
Additional Nonpublic School Transportation Aid (Unbudgeted)		<u>87,290.00</u>
		\$ <u>767,617.00</u>

Detail of Other Restricted Fund Balance

Capital Reserve		\$ 2,316,051.31
Maintenance Reserve		503,459.00
Unemployment Compensation		<u>99,511.47</u>
		\$ <u>2,919,021.78</u>

SOMERSET HILLS SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020

	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			-			-
One	4	4	-	3	3	-
Two	1	1	-	1	1	-
Three			-			-
Four	3	3	-	2	2	-
Five	1	1	-	1	1	-
Six	3	3	-	3	3	-
Seven	2	2	-	2	2	-
Eight	2	2	-	2	2	-
Nine	6	6	-	5	5	-
Ten	11	11	-	10	10	-
Eleven	10	10	-	9	9	-
Twelve	4	4	-	3	3	-
Subtotal	<u>47</u>	<u>47</u>	<u>-</u>	<u>41</u>	<u>41</u>	<u>-</u>
SpEd Elementary	3	3	-	2	2	-
SpEd Middle School			-			-
SpEd High School			-			-
Subtotal	<u>3</u>	<u>3</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Totals	<u>50</u>	<u>50</u>	<u>0</u>	<u>43</u>	<u>43</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

