

Auditor's Management Report

for the

*Township of Berkeley Heights
School District*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2023*

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS – FINANCIAL AND COMPLIANCE**

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SUPLEE, CLOONEY & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Berkeley Heights Board of Education
Berkeley Heights, New Jersey 07922

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 Township of Berkeley Heights School District in the County of Union for the year ended June 30, 2023, and have issued our report dated January 22, 2024.

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 Township of Berkeley Heights School District, County of Union, 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. 948

January 22, 2024

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 the activities of the Township of Berkeley Heights - Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule (Exhibit J-20) contained in the District's Annual Comprehensive Financial Report (ACFR).

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

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Harold Kessler	Treasurer of School Monies	\$300,000.00
Julie Kot	Business Administrator/Board Secretary	\$300,000.00

There is a Public Employees' Blanket Position Bond with Selective Insurance Company covering all other employees with multiple coverage of \$100,000.

Adequacy of insurance coverage is the responsibility of the Board of Education.

P.L.2020,c.44

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A 18A:16-13.3 (Chapter 44) submitted for the fiscal year of audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted did include all health benefit plans offered by the school district. The school district data certification was completed by the chief school administrator and was submitted timely.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The board made a proper adjustment to the billings to sending districts for the per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

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

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Accounts

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 were promptly remitted to the proper agencies including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

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 for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, no errors were noted, and no additional procedures were deemed necessary to the test the propriety of expenditure classification.

Board Secretary's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer.

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

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records

The records maintained by the Treasurer were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

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 the projects under Title I and Title VI 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 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.

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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement.

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.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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, 2021, 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 \$20,200.00.

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.

School Food Service

The District has elected not to participate in the federally assisted child nutrition programs encompassing the National School Lunch, Breakfast and Special Milk programs.

Finding 2023-001: We noted that the Food Service fund operated at a deficit as of June 30, 2023.

Recommendation 2023-001: That the Food Service fund operating deficit be provided for prior to year-end.

**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 14, 2022 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, 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 exceptions. The information that was included on the workpapers was verified with 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.

Finding 2023-002: We noted several differences between what was reported on the Application for State School Aid and what was reported on the Districts supporting workpapers.

Recommendation 2023-002: That the Districts supporting workpapers agree to the Application for State School Aid.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2022-2023 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.

Capital Assets and Facilities

The records of the capital assets and facilities were in satisfactory condition.

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

Miscellaneous

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

Follow-Up Prior Year's Audit Findings

Prior year findings were corrected with the exception of items marked with '**' on the following page.

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

Recommendations

1. **Administrative Practices and Procedures**

None

2. **Financial Planning, Accounting and Reporting**

None

3. **School Purchasing Program**

None

4. **School Food Service**

***Recommendation 2023-001:** That the Food Service fund operating deficit be provided for prior to year-end.

5. **Student Body Activities**

None

6. **Application for State School Aid**

Recommendation 2023-002: That the Districts supporting workpapers agree to the Application for State School Aid.

7. **Pupil Transportation**

None

8. **Capital Assets and Facilities**

None

9. **Miscellaneous**

None

10. **Status of Prior Year's Findings/Recommendations**

Prior year findings were corrected with the exception of items marked with "*" above.

BERKELEY HEIGHTS BOARD OF EDUCATION
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2022

	2023-24 Application for State School Aid (10/15/22 data)						Sample for Verification						Reported on A.S.S.A. as Private Schools			Private School for Disabled		
	Reported as on Roll		Reported on Workpapers on Roll		Errors		Sample Selected from Workpapers		Verified per Registers on Roll		Errors per Registers on Roll		Private Schools			Private School for Disabled		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Veri- fication	Sample Verified	Sample Errors	
Half Day Preschool - 3 Yr	13	-	13	-	-	-	-	2	-	2	-	-	-	-	-	-	-	
Half Day Preschool - 4 Yr	17	-	17	-	-	-	2	-	2	-	-	-	-	-	-	-	-	
Full Day Kindergarten	117	-	117	-	-	-	14	-	14	-	-	-	-	-	-	-	-	
One	154	-	154	-	-	-	18	-	18	-	-	-	-	-	-	-	-	
Two	132	-	132	-	-	-	16	-	16	-	-	-	-	-	-	-	-	
Three	151	-	151	-	-	-	18	-	18	-	-	-	-	-	-	-	-	
Four	157	-	157	-	-	-	19	-	19	-	-	-	-	-	-	-	-	
Five	137	-	137	-	-	-	16	-	16	-	-	-	-	-	-	-	-	
Six	165	-	165	-	-	-	20	-	20	-	-	-	-	-	-	-	-	
Seven	164	-	164	-	-	-	20	-	20	-	-	-	-	-	-	-	-	
Eight	159	-	159	-	-	-	19	-	19	-	-	-	-	-	-	-	-	
Nine	173	-	173	-	-	-	21	-	21	-	-	-	-	-	-	-	-	
Ten	172	2	172	2	-	-	20	2	20	2	-	-	-	-	-	-	-	
Eleven	222	6	222	6	-	-	26	5	26	5	-	-	-	-	-	-	-	
Twelve	176	6	176	6	-	-	21	5	21	5	-	-	-	-	-	-	-	
Subtotal	2,109	14	2,109	14	-	-	252	12	252	12	-	-	-	-	-	-	-	
Sp. Ed - Elementary	99	-	99	-	-	-	12	-	12	-	-	-	-	2	2	2	-	
Sp. Ed - Middle School	72	-	72	-	-	-	9	-	9	-	-	-	-	4	4	3	-	
Sp. Ed - High School	164	16	164	16	-	-	20	12	20	12	-	-	-	7	7	6	-	
Subtotal	335	16	335	16	-	-	41	12	41	12	-	-	-	13	11	11	-	
Co. Voc. - Regular	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Totals	2,444	30	2,444	30	-	-	293	24	293	24	-	-	-	13	11	11	-	
Percentage Error					0.00%						0.00%						0.00%	

BERKELEY HEIGHTS BOARD OF EDUCATION
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2022

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on Application 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 Test Score and Register	Sample Errors
Half Day Preschool - 3 Yr	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool - 4 Yr	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1	1	-	1	1	-	-	-	-	-	-	-
One	1	1	1	1	1	-	1	(1)	-	1	1	-
Two	1	1	-	1	1	-	-	-	-	-	-	-
Three	4	3	1	2	2	-	1	1	-	1	1	-
Four	2	2	-	2	2	-	-	-	-	-	-	-
Five	1	1	-	1	1	-	-	-	-	-	-	-
Six	1	-	1	-	-	-	1	(1)	-	1	1	-
Seven	1	-	1	-	-	-	1	1	-	1	1	-
Eight	1	3	(2)	2	2	-	-	-	-	-	-	-
Nine	4	5	(1)	4	4	-	1	1	-	1	1	-
Ten	3	4	(1)	3	3	-	2	2	-	2	2	-
Eleven	5	5	-	1	1	-	-	-	-	-	-	-
Twelve	26	26	-	18	18	-	5	7	(2)	7	7	-
Subtotal	36	37	(1)	27	27	-	6	8	(2)	8	8	-
Totals			-2.78%						-33.33%			0.00%

	Transportation			Sample for Verification		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Sp. Ed - Elementary	7	6	1	5	5	-
Sp. Ed - Middle School	2	1	1	1	1	-
Sp. Ed - High School	1	4	(3)	3	3	-
Subtotal	10	11	(1)	9	9	-
Totals	36	37	(1)	27	27	-
Percentage Error			-2.78%			0.00%

	Regular Including Grade PK students (Part A)			Regular Excluding Grade PK students (Part B)			Special Ed with Special Needs		
	Reported	Recalculated	Errors	Reported	Recalculated	Errors	Reported	Recalculated	Errors
Reg. - Public Schools, col. 1	531	531	-	151	151	-	4.6	4.6	-
Reg -SpEd, col. 4	91	91	-	26	26	-	4.6	4.6	-
Transported - Non-Public, col. 3	161	161	-	46	40	6	4.1	4.1	-
Special Ed Spec, col. 6	35	35	-	10	10	-			
Totals	818	818	-	233	227	6			
Percentage Error			0.00%			2.58%			

BERKELEY HEIGHTS BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 SCHEDULE OF AUDITED ENROLLMENTS
 ENROLLMENT AS OF OCTOBER 14, 2022

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.A. as LEP NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool - 3 Yr	-	-	-	-	-	-
Half Day Preschool - 4 Yr	-	-	-	-	-	-
Full Day Kindergarten	6	6	-	5	5	-
One	8	6	2	5	5	-
Two	1	1	-	1	1	-
Three	4	4	-	3	3	-
Four	1	1	-	1	1	-
Five	-	-	-	-	-	-
Six	1	-	1	-	-	-
Seven	1	1	-	1	1	-
Eight	-	-	-	-	-	-
Nine	2	2	-	2	2	-
Ten	-	-	-	-	-	-
Eleven	-	-	-	-	-	-
Twelve	-	1	(1)	1	1	-
Subtotal	24	22	2	19	19	-
Special Ed - Elementary	2	2	-	2	2	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	2	2	-	2	2	-
Co. Voc. - Regular	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-
Totals	26	24	2	21	21	-
Percentage Error			7.69%			0.00%

TOWNSHIP OF BERKELEY HEIGHTS SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2022 - 2023 Total General Fund Expenditures per the ACFR, Ex. C-1	\$ 68,481,776.48
Decreased by:	
On-Behalf TPAF Pension & Social Security	13,904,275.69
Assets Acquired Under Installment Purchases	774,669.58
Adjusted 2022 - 2023 General Fund Expenditures	\$ <u>53,802,831.21</u>
2% of Adjusted 2022 - 2023 General Fund Expenditures	\$ 1,076,056.62
Greater of Line Above or \$250,000.00	\$ 1,076,056.62
Increased by: Allowable Adjustment	\$ 200,166.00
Maximum Unreserved/Undesignated Fund Balance	\$ <u>1,276,222.62</u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-2023	\$ <u>11,257,108.80</u>
Decreased by:	
Year-End Encumbrances	686,029.20
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	788,778.96
Other Restricted Fund Balances	5,435,197.29
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>1,617,859.04</u>
Total Unassigned Fund Balance	\$ <u>2,729,244.31</u>

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ <u>1,453,021.69</u>
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Recapitulation of Excess Surplus as of June 30, 2023

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>788,778.96</u>
Reserved Excess Surplus	\$ <u>1,453,021.69</u>
Total Excess Surplus	\$ <u>2,241,800.65</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 149,934.00
Additional Non-Public School Transportation Aid	<u>50,232.00</u>
	\$ <u>200,166.00</u>

Detail of Other Restricted Fund Balance:

Capital Reserve	\$ 3,998,726.17
Maintenance Reserve	1,000,437.40
Reserve for Unemployment Fund	<u>436,033.72</u>
	\$ <u>5,435,197.29</u>

