

*Auditor's Management Report*

*for the*

*Somerset Hills  
School District*

*in the*

*County of Somerset  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2023*



**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, 2023 and have issued our report dated January 17, 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 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 17, 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 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	\$1,000,000.00

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

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

**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.

**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, 2023 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, 2023.

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

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

**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.

**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, IIA, III and IV 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.



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

**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.

**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 and thereafter, 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 the 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**

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

**SCHOOL FOOD SERVICE**

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 also 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.

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

**SCHOOL FOOD SERVICE (CONTINUED)**

The Statement of Revenues, Expenses and Changes in Fund Net Position (CAFR Schedule 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 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.

**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, 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.

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

**PUPIL TRANSPORTATION**

Our audit procedures included a test of on roll status reported in the fiscal year 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 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.

**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. There were no 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. There were no prior year findings.

SOMERSET HILLS SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 14, 2022

	2023-2024 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 on A.S.S.A. as Private Schools	
	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	2		2		-									
Full Day Kindergarten	79		79		-		14		14					
One	74		74		-		12		12					
Two	65		65		-		10		10					
Three	99		99		-		15		15					
Four	80		80		-		14		14					
Five	79		79		-		14		14					
Six	96		96		-		15		15					
Seven	100		100		-		16		16					
Eight	101		101		-		16		16					
Nine	177	4	177	4	-		28		28					
Ten	175		175		-		27		27					
Eleven	180	2	180	2	-		28		28					
Twelve	153	1	153	1	-		24		24					
Subtotal	1,464	7	1,464	7	-		233		233					
SpEd Elementary	71		71		-		11		11				3	2
SpEd Middle School	60		60		-		9		9				7	6
SpEd High School	119	1	119	1	-		19		19				20	17
Subtotal	250	1	250	1	-		39		39				30	25
Totals	1,714	8	1,714	8	-		272		272				30.0	25

Percentage

SOMERSET HILLS SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENTS  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 14, 2022

	Resident Low Income		Sample for Verification		Resident ELL Low Income		Sample for Verification	
	Reported on A.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Application and Register
Full Day Pre-School	14	14	8	8	11	11	7	7
Full Day Kindergarten	14	14	8	8	8	8	5	5
One	7	7	4	4	2	2	1	1
Two	14	14	8	8	8	8	5	5
Three	11	11	6	6	4	4	3	3
Four	14	14	8	8	7	7	5	5
Five	11	11	6	6	3	3	2	2
Six	11	11	6	6	3	3	2	2
Seven	12	12	7	7	4	4	3	3
Eight	17	17	10	10	15	15	11	11
Nine	20	20	11	11	12	12	8	8
Ten	14	14	8	8	10	10	7	7
Eleven	12	12	7	7	12	12	8	8
Twelve	171	171	97	97	99	99	67	67
Subtotal	223	223	127	127	114	114	78	78
SpEd Elementary	23	23	13	13	13	13	9	9
SpEd Middle School	12	12	7	7	1	1	1	1
SpEd High School	17	17	10	10	1	1	1	1
Subtotal	52	52	30	30	15	15	11	11
Totals	223	223	127	127	114	114	78	78
Percentage Error	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Transportation

	Reported on DRTS by DOE		Reported on DRTS by District		Transportation	
	Reported on	Errors	Reported on	Errors	Tested	Verified
Reg. Public Schools, col.1	359	0	359	0	110	110
Nonpublic Transportation, col.2	0	0	0	0	0	0
Non-Public AIL, col.3	303	0	303	0	91	91
Reg. - SpEd, Col.4	78	0	78	0	23	23
Special Ed Spec, col.6	27	0	27	0	8	8
Totals	767	0	767	0	232	232
Percentage Error	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

SOMERSET HILLS SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2022

	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	1	1	-	1	1	-
One	3	3	-	3	3	-
Two	2	2	-	1	1	-
Three	4	4	-	4	4	-
Four	3	3	-	2	2	-
Five	1	1	-	1	1	-
Six	2	2	-	1	1	-
Seven	1	1	-	1	1	-
Eight	1	1	-	1	1	-
Nine	1	1	-	2	2	-
Ten	1	1	-	1	1	-
Eleven	1	1	-	1	1	-
Twelve	4	4	-	4	4	-
Subtotal	<u>25</u>	<u>25</u>	<u>-</u>	<u>23</u>	<u>23</u>	<u>-</u>
SpEd Elementary	1	1	-			-
SpEd Middle School			-			-
SpEd High School	<u>1</u>	<u>1</u>	<u>-</u>	<u></u>	<u></u>	<u>-</u>
Subtotal	<u>2</u>	<u>2</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>27</u>	<u>27</u>	<u>0</u>	<u>23</u>	<u>23</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, 2023**

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

2022-2023 Total General Fund Expenditures per the ACFR, Ex. C-1		\$ 50,330,060.12
Decreased by:		
On-Behalf TPAF Pension and Social Security	\$ 9,035,329.00	
Assets Acquired Under Installment Purchase Contracts	221,078.40	
Assets Acquired Under Right to Use Leases	9,583.08	
	<u>9,265,990.48</u>	\$ 9,265,990.48
Adjusted 2022-2023 General Fund Expenditures		\$ <u>41,064,069.64</u>
2% of Adjusted 2022-2023 General Fund Expenditures		\$ <u>821,281.39</u>
Greater of 2% or \$250,000	\$ 821,281.39	
Increased by: Allowable Adjustment	491,263.00	
Maximum Unassigned/Undesignated - Unreserved Fund Balance	<u>1,312,544.39</u>	\$ <u>1,312,544.39</u>

**Section 2**

Total General Fund - Fund Balances @ 6-30-2023		\$ 11,610,512.89
Decreased by:		
Year End Encumbrances	\$ 562,505.23	
Assigned - Designated for Subsequent Year's Expenditures	1,520,465.00	
Assigned - FFCRA/SEMI-Designated for subsequent year's expenditures	939.74	
Other Restricted Fund Balances	<u>6,920,025.53</u>	
		<u>9,003,935.50</u>
Total Unassigned Fund Balance		\$ <u>2,606,577.39</u>

**Section 3**

Restricted Fund Balance - Excess Surplus		\$ <u>1,294,033.00</u>
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**Recapitulation of Excess Surplus as of June 30, 2023**

Reserved Excess Surplus - Current Year		\$ 1,294,033.00
Total		\$ <u>1,294,033.00</u>

**Detail of Allowable Adjustments**

Extraordinary Aid (Unbudgeted)		\$ 396,727.00
Additional Nonpublic School Transportation Aid (Unbudgeted)		94,536.00
		<u>491,263.00</u>

**Detail of Other Restricted Fund Balance**

Capital Reserve		\$ 5,955,980.66
Maintenance Reserve		876,131.57
Unemployment Compensation		87,913.30
		<u>6,920,025.53</u>



