Auditor's Management Report

for the

Borough of South Bound Brook School District

in the

County of Somerset
New Jersey

for the

Fiscal Year Ended
June 30, 2024

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

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Borough of South Bound Brook
County of Somerset
South Bound Brook, New Jersey 08880

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 Borough of South Bound Brook School District in the County of Somerset for the year ended June 30, 2024, and have issued our report dated January 13, 2025.

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 Borough of South Bound Brook 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.

Suplee, Clooney & Company

CERTIFIED PUBLIC ACCOUNTANTS

Robert W. [signature]

PUBLIC SCHOOL ACCOUNTANT NO. 948

January 13, 2025

Auditor's Management Report on 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 Borough of South Bound Brook - Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

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

Insurance coverage was carried in the amounts as detailed in the District's ACFR. (See Exhibit J-20).

Official Bonds

Name	Position	Amount of Bonds
Joseph Marra	Treasurer of School Monies	$200,000.00
Eulalia Gillis	Interim Business Administrator/Board Secretary	200,000.00
All Employees	All Employee Faithful Position Bond	500,000.00

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 year on audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted did include all health benefit plans offered by school district. The school district data certification was completed by the chief school administrator. The school district Chapter 44 data was submitted timely.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs differed from the estimated costs. The Board 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-23A-17.1(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.

Auditor's Management Report on Administrative Findings – Financial and Compliance

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

Salary withholdings were properly remitted to the proper agencies, including health benefits withholdings 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 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. Also, 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.

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 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 of School Monies.

Auditor's Management Report on Administrative Findings – Financial and Compliance

Treasurer's Records

The records maintained by the Treasurer of School Monies 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 Titles I through 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 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 biweekly 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.

Auditor's Management Report on Administrative Findings – Financial and Compliance

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 $32,000.00, 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 therefor, 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 (C.40A:11-9) the board of education may establish that the bid threshold may be up to $44,000.00. Such authorization may be granted or 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 $1,000.00. 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 every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

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 thresholds in accordance with N.J.S.A. 18A:18A-3(a) are $44,000.00 (with a Qualified Purchasing Agent), $32,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently $22,400.00.

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.

Auditor's Management Report on Administrative Findings – Financial and Compliance

School Purchasing Programs (Continued)

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 audit did reveal however, that the District did make purchases under State contracts and cooperative purchasing agreements.

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.

The statement of revenues, expenses and charges in fund net position (ACFR exhibit B-5) does separate program and non-program revenue and program and non-program costs of goods sold.

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 and indirect costs. No exceptions were noted.

Auditor's Management Report on Administrative Findings – Financial and Compliance

School Food Service (Continued)

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 verified the FSMC refunded or credited the applicable amounts to the SFA.

Finding 2024-001- Net cash resources exceeded three months average expenditures.

Student Body Activities

During our review of the student activity funds, the following items were noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2023 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, 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 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 had written procedures for the recording of student enrollment.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2023-2024 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.

Auditor's Management Report on Administrative
Findings – Financial and Compliance

Facilities and Capital Assets

Our procedures included a review of local funds from the general fund or from the capital reserve account and awarding of contracts for eligible facilities construction. No exceptions were noted.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all 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 did submit 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

In accordance with *Government Auditing Standards*, our procedures included a review of the prior year audit recommendations.

Application for State School Aid:

Finding 2023-001: The School District's workpapers and corresponding documentation on low income applications did not agree with the submitted A.S.S.A. report

Current Status: Action was taken so workpapers and corresponding documentation on low income applications were in agreement.

Board Secretary's Records:

Finding 2023-002: The District did not collect its final levy payment from the Borough prior to June 30, 2023.

Current Status: The entire tax levy for 2023-2024 was collected from the Borough prior to year end.

School Food Service:

Finding 2023-003: Net cash resources exceeded three months average expenditures.

Current Status: Appropriate action was taken and net cash resources fell below three months average expenditures.

SOUTH BOUND BROOK BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
2024 - 2025 ASSA STATE LEVEL
ENROLLMENT AS OF OCTOBER 13, 2023
FY AUDIT 2023 - 2024

	2024 - 2025 Application for State School Aid (10/13/2023 Data)						Sample for Verification						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		Reported on A.S.S.A. as Private Schools	Sample for Verifi-cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full D Pre K- 3 yr	7.0		7.0				3.0		3.0							
Full D Pre K- 4 yr	10.0		10.0				5.0		5.0							
Full Day Kindergarten	41.0		41.0				19.0		19.0							
One	45.0		45.0				20.0		20.0							
Two	41.0		41.0				19.0		19.0							
Three	39.0		39.0				18.0		18.0							
Four	42.0		42.0				19.0		19.0							
Five	39.0		39.0				18.0		18.0							
Six	41.0		41.0				19.0		19.0							
Seven	36.0		36.0				17.0		17.0							
Eight	34.0		34.0				16.0		16.0							
Nine																
Ten																
Eleven																
Twelve																
Post-Graduate																
Adult H.S. (15+ CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	375.0		375.0				173.0		173.0							
Sp. Ed. - Elementary	35.0		35.0				16.0		16.0							
Sp. Ed. - Middle School	17.0		17.0				8.0		8.0							
Sp. Ed. - High School																
Subtotal	52.0		52.0				24.0		24.0							
Totals	427.0		427.0				197.0		197.0							
Percentage Error					0%						0%					

SOUTH BOUND BROOK BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
2024 - 2025 ASSA STATE LEVEL
ENROLLMENT AS OF OCTOBER 13, 2023
FY AUDIT 2023 - 2024

	Resident Low Income			Sample for Verification			Resident LEP 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 Test Score and Register	Sample Errors
Full D Pre K- 3 yr												
Full D Pre K- 4 yr												
Full Day Kindergarten	10.0	10.0		7.0	7.0		5.0	5.0		3.0	3.0	
One	15.0	15.0		10.0	10.0		3.0	3.0		3.0	3.0	
Two	10.0	10.0		7.0	7.0		3.0	3.0		3.0	3.0	
Three	11.0	11.0		7.0	7.0		1.0	1.0		1.0	1.0	
Four	14.0	14.0		10.0	10.0		6.0	6.0		5.0	5.0	
Five	19.0	19.0		13.0	13.0		2.0	2.0		2.0	2.0	
Six	17.0	17.0		12.0	12.0		5.0	5.0		4.0	4.0	
Seven	19.0	19.0		13.0	13.0		3.0	3.0		3.0	3.0	
Eight	8.0	8.0		5.0	5.0							
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	123.0	123.0		84.0	84.0		28.0	28.0		24.0	24.0	
Special Ed - Elementary	9.0	9.0		6.0	6.0							
Special Ed - Middle	8.0	8.0		5.0	5.0							
Special Ed - High												
Subtotal	17.0	17.0		11.0	11.0		-	-	-			
Totals	140.0	140.0		95.0	95.0		28.0	28.0	-	24.0	24.0	
Percentage Error			0%			0%			0%			0%

	Transportation					
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public School , col 1	47.0	47.0		36.0	36.0	
Transportation - Non-Public col 2						
AIL, col 3						
Reg, Spe Ed, col 4	14.0	14.0		11.0	11.0	
Spec. Ed., OOD col 6	14.0	14.0		11.0	11.0	
Totals	75.0	75.0		58.0	58.0	
Percentage Error			0%			0%

SOUTH BOUND BROOK BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
2024 - 2025 ASSA STATE LEVEL
ENROLLMENT AS OF OCTOBER 13, 2023
FY AUDIT 2023 - 2024

	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
Full D Pre K- 3 yr						
Full D Pre K- 4 yr						
Full Day Kindergarten	2.0	2.0		2.0	2.0	
One	4.0	4.0		4.0	4.0	
Two	3.0	3.0		3.0	3.0	
Three	1.0	1.0		1.0	1.0	
Four	8.0	8.0		7.0	7.0	
Five	1.0	1.0		1.0	1.0	
Six	2.0	2.0		2.0	2.0	
Seven						
Eight	2.0	2.0		2.0	2.0	
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	23.0	23.0		22.0	22.0	
Special Ed - Elementary	2.0	2.0		2.0	2.0	
Special Ed - Middle						
Special Ed - High						
Subtotal	2.0	2.0		2.0	2.0	
Totals	25.0	25.0		24.0	24.0	
Percentage Error			0%			0%

SOUTH BOUND BROOK SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2023 - 2024 Total General Fund Expenditures per the ACFR, Ex. C-1	$ 14,973,035.16	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund		
Transfer from Capital Reserve to Capital Projects Fund		
Transfer from General Fund to SRF for PreK-Regular		
Transfer from General Fund to SRF for PreK-Inclusion		
Decreased by:		
On-Behalf TPAF Pension & Social Security	$ 1,907,046.26	
Assets acquired under Installment Purchase Contracts		
Adjusted 2023 - 2024 General Fund Expenditures		$ 13,065,988.90
2% of Adjusted 2023 - 2024 General Fund Expenditures		$ 261,319.78
Greater of line above or $250,000.00		$ 261,319.78
Increased by: Allowable Adjustment		$ 448,639.00
Maximum Unreserved/Undesignated Fund Balance		$ 709,958.78

SECTION 2

Total General Fund - Fund Balances @ 06/30/2024	$ 4,570,982.16	
Decreased by:		
Year-end Encumbrances	$ 72,623.55	
Legally Restricted-Designated for Subsequent Year's Expenditures	$	
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	$ 375,000.00	
Other Restricted Fund Balances:		
Maintenance Reserve	$ 290,230.00	
Capital Reserve	$ 2,395,180.83	
Tuition Reserve	$ 100,000.00	
Assigned Fund Balance - Unreserved-Designated for Subsequent Year's Expenditures	$ 227,989.00	
Total Unassigned Fund Balance		$ 1,109,958.78

SECTION 3

Restricted Fund Balance-Excess Surplus	$ 400,000.00
Recapitulation of excess surplus as of June 30, 2024	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	$ 375,000.00
Reserved Excess Surplus	$ 400,000.00
Total Excess Surplus	$ 775,000.00
Detail of Allowable Adjustments	
Extraordinary Aid	$ 448,639.00
	$ 448,639.00

Auditor’s Management Report on Administrative Findings – Financial and Compliance

Recommendations

Administrative Practices and Procedures

None

Financial Planning, Accounting and Reporting

None

School Purchasing Program

None

School Food Service

None

Student Body Activities

None

Application for State School Aid

None

Pupil Transportation

None

Facilities and Capital Assets

None

Miscellaneous

None

Prior Year’s Findings/Recommendations

2023-001 Recommendation: That the District only report eligible students as low income on the A.S.S.A. report.

2023-002 Recommendation: The District should request the remittance of all tax levy balances prior to June 30th each year.

2023-003 Recommendation: That appropriate action be taken to ensure that net cash resources of the Food Service Account do not exceed three (3) months average expenditures.