

**WATCHUNG HILLS REGIONAL  
HIGH SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2023**

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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# LERCH, VINCI & BLISS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL J. LERCH, CPA, RMA, PSA  
JULIUS B. CONSONI, CPA, PSA  
ANDREW D. PARENTE, CPA, RMA, PSA  
ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, RMA, PSA

DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA, PSA  
CHRISTOPHER M. VINCI, CPA, PSA  
CHRISTINA CUIFFO, CPA, PSA  
JOHN CUIFFO, CPA, PSA

Honorable President and Members  
of the Board of Education  
Watchung Hills Regional High School District  
108 Stirling Road  
Warren, New Jersey 07059

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 Watchung Hills Regional High School District as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated January 12, 2024.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

LERCH, VINCI & BLISS, LLP  
Certified Public Accountants  
Public School Accountants

Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
January 12, 2024

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the Board of Education and 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 Schedule of Insurance reported on Exhibit J-20 in the District's Annual Comprehensive Financial Report (ACFR).

Official Bonds

<u>Name</u>	<u>Position and Coverage Period</u>	<u>Amount</u>
Timothy M. Stys, CPA	Board Secretary/Business Administrator	\$100,000
William J. Scholts, II	Treasurer of School Monies	325,000

There is a Public Employees Faithful Performance policy with Zurich Insurance Company covering all other employees with multiple coverage of \$500,000.

P.L. 2020, c44

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 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. The school district submitted the Chapter 44 data in a timely manner.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts 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 reveal any material discrepancies with respect to signatures, certifications and supporting documentation.

Payroll Account

The net salaries of all 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 tested were approved by the Superintendent and certified by the Board President and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including employee health benefit contribution withholdings due to the General Fund. The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Financial Planning, Accounting and Reporting**

Year-End 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 year-end encumbrances. Also, a sample of the 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: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:2A-8.3.

As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in excellent condition.

Acknowledgment of the Board's receipt of the Board Secretary and Treasurer's monthly financial reports was included in the minutes.

The prescribed contractual order system was followed. Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the General Fund.

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 of the Elementary and Secondary Education Act as amended and reauthorized.

Our examination indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**Financial Planning, Accounting and Reporting**

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 examination 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 contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

Project completion reports for Nonpublic programs were finalized and transmitted to the State by the required due date.

Teachers Pension and Annuity Fund

Our audit procedures included a test of the semi-monthly reimbursement forms 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 expenditure charged to the federal grants 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 grant liquidation period required by the Office of Grants Management. The expenditure was reviewed and minor exceptions were noted.

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2, 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 currently \$20,200. The Board designated the School Business Administrator as the qualified purchasing agent.

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 Board Attorney's opinion should be sought before a commitment is made.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

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 goods or services, in excess of the statutory thresholds where there had been no advertising bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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 purchases were made through the use of State contracts.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**School Food Service**

School Food Authority's ("SFA's") 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 student during the emergency.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts were reviewed on a test-check basis. The District does not participate in the National School Lunch Program.

Cash receipts and bank records were reviewed for timely deposit.

The District contracted with a food service management company (FSMC) to manage the operations of the school food services and deposited funds in accordance with applicable State statutes. Provisions of the FSMC contract were reviewed. The FSMC contract did not include an operating results provision for the 2022/2023 school year.

Expenses were separately recorded as food, labor and other costs. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursement records reflected expenses for program related goods and services. The appropriate revenue and expense records were maintained in order to substantiate the non-profit status of the school food service.

Exhibits reflecting the district's Food Service Program on Exhibits B-4 through B-6 of the district's ACFR.

**Student Body Activity/Athletic and Scholarship Funds**

The Board has a policy, which clearly established the regulation of student activity funds.

Cash disbursements were supported by proper documentation

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2022 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, 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 without exception. The information that was included on the workpapers was verified without exception. 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 has adequate written procedures for the recording of student enrollment data.

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**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 information that was included on the workpapers was verified with immaterial exceptions noted. 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. No exceptions were noted in our review of transportation related purchases of goods and services.

**Miscellaneous**

The school district has complied with continuing disclosure agreements made in relation to the District's outstanding bond issuances.

**Suggestions to Management**

- Cooperative purchasing program contract award information be obtained and maintained on file in the Business Office.



**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

SCHEDULE IS NOT APPLICABLE

**SCHEDULE OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

SCHEDULE IS NOT APPLICABLE

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2022  
SCHEDULE OF AUDITED ENROLLMENTS**

	2023-2024 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register 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				
Grade 9	364	0.5	364	0.5	-	-	364	0.5	364	0.5	-	-				
Grade 10	352	2.5	352	2.5	-	-	352	2.5	352	2.5	-	-				
Grade 11	371	3.5	370	3.5	1	-	370	3.5	370	3.5	-	-				
Grade 12	384	0.5	383	0.5	1	-	383	0.5	383	0.5	-	-				
Subtotal	1,471	7.0	1,469	7.0	2	-	1,469	7.0	1,469	7	-	-				
Spec Ed - High School	243	6.5	243	6.5	-	-	56		56		-	-	19	6	6	-
Subtotal	243	6.5	243	6.5	-	-	56	-	56	-	-	-	19	6	6	-
Totals	1,714	13.5	1,712	13.5	2	-	1,525	7	1,525	7	-	-	19	6	6	-
Percentage Error					0.12%	0.00%					0.00%	0.00%				0.00%

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2022  
SCHEDULE OF AUDITED ENROLLMENTS**

	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 ASSA	Reported on Workpapers	Errors	Sample Selected	Sample Verified	Errors
Grade 9	5	5	-	2	2	-	1	1	-	1	1	-
Grade 10	3	3	-	1	1	-			-			-
Grade 11	2	2	-	1	1	-			-			-
Grade 12	5	5	-	2	2	-			-			-
Subtotal	15	15	-	6	6	-	1	1	-	1	1	-
Spec Ed - High School	11.5	10.5	1	3	3	-			-			-
Subtotal	11.5	10.5	1	3	3	-	-	-	-	-	-	-
Totals	26.5	25.5	1	9	9	-	1	1	-	1	1	-
Percentage Error			<u>3.77%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	906	906	-	271	271	-
Transported - Non-Public	5	5	-	2	2	-
Regular - Spec. Ed.	144	144	-	43	43	-
Special Needs - Public	35	35	-	11	11	-
Totals	1,090	1,090	-	327	327	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2022  
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	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
	Grade 9	8	7	1	2	2
Grade 10	3	3	-	1	1	-
Grade 11	4	3	1	1	1	-
Grade 12	2	1	1			-
Subtotal	<u>17</u>	<u>14</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>-</u>
Spec Ed - High School	<u>1</u>	<u>1</u>	<u>-</u>			<u>-</u>
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>18</u>	<u>15</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>-</u>
Percentage Error			<u>16.67%</u>			<u>0.00%</u>

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

2022-23 Total General Fund Budgetary Expenditures		\$ 53,444,928
Increased by:		
Transfers to Special Revenue Fund		102,500
		53,547,428
Decreased by:		
On-Behalf TPAF Pension and Social Security		(9,342,026)
Adjusted 2022-2023 General Fund Expenditures		\$ 44,205,402
2% of Adjusted 2022-2023 General Fund Expenditures		\$ 884,108
Increased by Allowable Adjustments		
Extraordinary Aid	\$ 794,735	
Non Public Transportation Reimbursement	66,281	
		861,016
Maximum Unassigned Fund Balance		\$ 1,745,124
Total General Fund - Fund Balance at June 30, 2023		\$ 15,325,070
Decreased by:		
Encumbrances	\$ 394,583	
Capital Reserve	9,754,306	
Maintenance Reserve	1,049,884	
Tuition Reserve	520,700	
Designated for Subsequent Years Budget	973,000	
Unemployment Compensation Reserve	264,717	
		12,957,190
Total Unreserved, Undesignated Fund Balance		2,367,880
Restricted Fund Balance - Excess Surplus		\$ 622,756
Excess Surplus as of June 30, 2023		
Excess Surplus - Designated for Subsequent Year's Budget		
Excess Surplus		\$ 622,756
Total		\$ 622,756

**WATCHUNG HILLS REGIONAL HIGH SCHOOL DISTRICT  
RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

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

There are none.

**III. School Purchasing Program**

There are none.

**IV. School Food Services/Scholarship Funds**

There are none.

**V. Student Body Activities**

There are none

**VI. Application for State School Aid**

There are none.

**VII. Pupil Transportation**

There are none.

**VIII. Facilities and Capital Assets**

There are none.

**IX. Miscellaneous**

There are none.

**X. Status of Prior Years' Audit Findings/Recommendations**

Not applicable, there were none.

**ACKNOWLEDGEMENT**

We received the complete cooperation of all the officials of the School District and we greatly appreciate the courtesies extended to us.