

HOWELL TOWNSHIP BOARD OF EDUCATION

AUDITOR'S MANAGEMENT REPORT

COUNTY OF MONMOUTH

JUNE 30, 2015

**Robert A. Hulsart & Company
Certified Public Accountants
2807 Hurley Pond Road, Suite 100
Wall, New Jersey 07719**

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

Telecopier:
 (732) 280-8888

e-mail:
 rah@monmouth.com

2807 Hurley Pond Road • Suite 100
 P.O. Box 1409
 Wall, New Jersey 07719-1409
 (732) 681-4990

REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
 of the Board of Education
 Howell Township School District
 County of Monmouth, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards, issued by the comptroller General of the United States, the general-purpose financial statements of the Board of Education of the Howell Township School District in the County of Monmouth, for the year ended June 30, 2015, and have issued our report thereon dated December 18, 2015.

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

This report is intended for the information of the Howell Township Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

 Licensed Public School Accountant
 No. 322

ROBERT A. HULSART AND COMPANY

December 18, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

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 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 Exhibit J-20; Insurance Schedule contained in the district's CAFR.

Officials Bond

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Ronald Sanasac, Jr.	Board Secretary/School Business Administrator	\$ 50,000
Debra Pappagallo	Treasurer	500,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$100,000.00.

Tuition Charges

A comparison of tentative 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 decrease 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 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/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

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 CAFR.

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 CAFR. This section of the CAFR 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 forms filed with Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A-3 states:

“a. Any purchase, contract or agreement for the performance of any work or the furnishing or hiring or materials or supplies, the cost or price or which, together with any other sums expended or foreseeably to be expended for the performance of any work or services in connection with the same project or the furnishing of similar materials or supplies during the same fiscal year paid with or out of school funds, does not exceed the total sum of \$7,500.00 or the amount determined pursuant to subsection b. of this section, in the fiscal year or, in the case of purchases that are not annually recurring, in a period of one year may be made, negotiated and awarded by a contracting agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor.

b. Commencing January 1, 1983 and every two years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount set forth in subsection a. of this section in direct proportion to the rise or fall of the consumer price index for all urban consumers in the New York City and the Philadelphia areas as reported by the United States Department of Labor. The Governor shall notify all local school districts of the adjustment. The adjustment shall become effective on July 1 of the year in which it is reported.”

N.J.S.A. 18A:18A-4 states, “Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3, except by contract or agreement.”

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 is \$26,000.00 and 17,200.00 respectively. The Business Administrator is a Certified Purchasing Agent, which permits contracts to \$36,000.00 without advertisement for bids per N.J.S.A. 18A:18a-3(a). As of July 1, 2013 the transportation bid Threshold was increased to \$18,300.

As of July 1, 2010 the quotation threshold was increased to 15% of the bid threshold.

The board of education has the responsibility of detailing 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 except as follows:

Review of Expenditures

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 Chapter 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

School Food Service Fund

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

The number of milks claimed for reimbursement was verified against sales and meal count records.

School Food Service Fund (Continued)

Applications for free and reduced price milk were reviewed for completeness and accuracy. The number of free and reduced price milks claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications was completed and available for review.

Cash receipts and bank records were reviewed for timely deposits per state guidelines

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

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education.

The cash disbursement records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Operations for 2014-2015 resulted in a change in net position of \$(210,367) for the year ended June 30, 2015.

Exhibits reflecting Child Nutrition Program operations are B-4 thru B-6.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 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 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.

Pupil Transportation

Our procedures 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 EDA grant agreement for consistency with recording EDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

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:23-2.2(g) 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-2.4. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed no reportable conditions.

Finding 2015-01: The Board Secretary's Report and subsidiary reports required adjustments. Some transactions were not recorded into the accounting records in a timely manner. Some problems relate to ongoing system integration issues.

Recommendation 2015-01: The Board Secretary's Report should be reviewed and proven on a monthly basis and agree to the subsidiary reports; all transactions should be recorded in a timely manner. Final integration should be expedited to allow regular proof.

Elementary and Secondary Education Act (E.S.E.A)/Improving America's Schools Act (IASA) as reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title II, Title IIA and Title III of the E.S.E.A.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

Treasurer's Records

Finding 2015-02: The Treasurer's Report required adjustments at June 30th to bring it in to proof with the Board Secretary's report due to ongoing integration issues.

Recommendation 2015-02: Adjustments were finalized; however, the District and Treasurer should continue to ensure that the reports are in agreement. Final integration should be expedited.

Follow-up on Prior Year Findings

The recommendation relating to the Treasurer is awaiting final resolution.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures Per the CAFR	\$ 112,587,596
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Decreased by:

On-Behalf TPAF Pension & Social Security	<u>(9,938,643)</u>
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Adjusted 2014-15 General Fund Expenditures	<u>\$ 102,648,953</u>
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2% of Adjusted 2014-15 General Fund Expenditures	<u>\$ 2,052,979</u>
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Enter Greater of Above or \$250,000	\$ 2,052,979
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Increased by Allowable Adjustment	<u>125,009</u>
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Maximum Unassigned Fund Balance	<u>\$ 2,177,988</u>
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Section 2

Total General Fund – Fund Balance @ 6-30-15	\$ 15,087,129
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Decreased by:

Reserved by Encumbrances	(3,319,833)
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Designated for Subsequent Year's Expenditures	(500,000)
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Designated for Subsequent Year's Expenditures – Excess Surplus	(2,500,000)
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Other Reserves	(3,428,463)
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Reserve for Capital Leases	<u>(635,664)</u>
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Total Unassigned Fund Balance	<u>\$ 4,703,169</u>
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Reserved Fund Balance – Excess Surplus	<u>\$ 2,525,181</u>
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Section 3

Reserved Fund Balance – Excess Surplus Designated for Subsequent Expenditures	\$ 2,500,000
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Reserved Excess Surplus	<u>2,525,181</u>
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	<u>\$ 5,025,181</u>
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Detail of Allowable Adjustments

Non Public Transportation	\$ 32,052
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Extraordinary Aid	<u>92,957</u>
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Total Adjustments	<u>\$ 125,009</u>
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Detail of Other Reserved Fund Balances

Maintenance Reserve	\$ 3,428,462
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Capital Reserve	<u>1</u>
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	<u>\$ 3,428,463</u>
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HOWELL TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2014

	2015-2016 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported On		Reported on		Errors		Sample Selected		Verified Per		Errors Per Registers		Reported On	Sample for	Sample	Sample	
	A.S.S.A. on Roll	Workpapers on Roll	Full	Shared	Full	Shared	from Workpapers	Registers on Roll	Full	Shared	on Roll	Private Schools	Verification	Verified	Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool 3 Yrs.	26		26				26		26								
Half Day Preschool 4 Yrs.	28		28				28		28								
Full Day Kindergarten	502		502				33		33								
One	582		582				49		49								
Two	583		583				43		43								
Three	544		544				50		50								
Four	550		550				38		38								
Five	586		586				51		51								
Six	596		596				217		217								
Seven	556		556				220		220								
Eight	625		625				227		227								
Nine																	
Ten																	
Eleven																	
Twelve																	
Subtotal	<u>5178</u>	<u>0</u>	<u>5178</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>982</u>	<u>0</u>	<u>982</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed. - Elementary	538		538				35		35				10	10	10		
Special Ed. - Middle School	408		408				136		136				5	5	5		
Special Ed. - High School																	
Subtotal	<u>946</u>	<u>0</u>	<u>946</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>171</u>	<u>0</u>	<u>171</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular																	
Co. Voc. - Ft. Post Sec.																	
Totals	<u>6124</u>	<u>0</u>	<u>6124</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1153</u>	<u>0</u>	<u>1153</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15</u>	<u>15</u>	<u>15</u>	<u>0</u>	<u>0</u>
Percentage Error					<u>0%</u>	<u>0%</u>					<u>0%</u>	<u>0%</u>					<u>0%</u>

HOWELL TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	<u>Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Sample</u>	<u>Verified to</u>	<u>Sample</u>	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Sample</u>	<u>Verified to</u>	<u>Sample</u>
	<u>A.S.S.A. as</u>	<u>Workpapers</u>		<u>Selected from</u>	<u>Application</u>		<u>ASSA as</u>	<u>Workpapers</u>		<u>Selected from</u>	<u>Test Score</u>	
	<u>Low Income</u>	<u>as Low Income</u>		<u>Workpapers</u>	<u>and Register</u>		<u>Income</u>	<u>as LEP Low</u>		<u>Workpapers</u>	<u>and Register</u>	<u>Errors</u>
Full Day Kindergarten	86	86					13	13		9	9	
One	103	103					15	15		11	11	
Two	98	98					8	8		7	7	
Three	95	95					10	10		9	9	
Four	99	99					6	6		6	6	
Five	80	80					0	0		0	0	
Six	87	87					3	3		2	2	
Seven	66	66					4	4		1	1	
Eight	78	78					4	4		2	2	
Subtotal	<u>792</u>	<u>792</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>63</u>	<u>63</u>	<u>0</u>	<u>47</u>	<u>47</u>	<u>0</u>
Special Ed. - Elementary	137	137					5	5		4	4	
Special Ed. - Middle School	114	114										
Subtotal	<u>251</u>	<u>251</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>0</u>	<u>4</u>	<u>4</u>	<u>0</u>
Totals	<u>1043</u>	<u>1043</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>68</u>	<u>68</u>	<u>0</u>	<u>51</u>	<u>51</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>			<u>0%</u>			<u>0%</u>

	<u>Transportation</u>							<u>Reported</u>	<u>Recalculated</u>
	<u>Reported on</u>	<u>Reported on</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>			
	<u>DRTRS by</u>	<u>DRTRS by</u>							
	<u>DOE/County</u>	<u>District</u>							
Reg. - Public Schools, col. 1	2,785	2,785		291	291		Reg. Avg. (Mileage) = Regular Including Grade PK Students (Part A)	3.96	3.96
Reg. Special Education, col. 4	485	485		197	197		Ref. Avg. (Mileage) - Regular Excluding Grade PK Students (Part B)	3.96	3.96
Transported - Non-Public, col. 3	88	88		67	67		Spec. Avg. = Special Ed. With Special Needs	5.10	5.10
Special Education Spec., col. 6	463	463		197	197				
Totals	<u>3,821</u>	<u>3,821</u>	<u>0</u>	<u>752</u>	<u>752</u>	<u>0</u>			
Percentage Error			<u>0%</u>			<u>0%</u>			

HOWELL TOWNSHIP SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on ASSA as LEP Not Low Income</u>	<u>Reported on Workpapers as LEP Not Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten	17	17		14	14	
One	4	4		2	2	
Two	7	7		5	5	
Three	3	3		2	2	
Four	2	2		2	2	
Five	2	2		1	1	
Six	3	3		3	3	
Seven	3	3		2	2	
Eight	2	2		2	2	
Subtotal	<u>43</u>	<u>43</u>	<u>0</u>	<u>33</u>	<u>33</u>	<u>0</u>
Special Ed. - Elementary	1	1		1	1	
Special Ed. - Middle School						
Subtotal	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u>44</u>	<u>44</u>	<u>0</u>	<u>34</u>	<u>34</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

SCHEDULE OF MEAL COUNT ACTIVITY

HOWELL TOWNSHIP SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	248,788	55,132	55,132	-	\$ 0.320 *	-
	Reduced	22,032	5,308	5,308	-	2.635	-
	Free	<u>101,235</u>	<u>21,803</u>	<u>21,803</u>	<u>-</u>	3.035	<u>-</u>
Total Net Overclaim		<u>372,055</u>	<u>82,243</u>	<u>82,243</u>	<u>-</u>		<u>-</u>
Breakfast Program (Regular Rate)	Paid	12,933	4,010	4,010	-	\$ 0.280	-
	Reduced	2,408	655	655	-	1.320	-
	Free	<u>22,106</u>	<u>6,817</u>	<u>6,817</u>	<u>-</u>	1.620	<u>-</u>
Total Net Overclaim		<u>37,447</u>	<u>11,482</u>	<u>11,482</u>	<u>-</u>		<u>-</u>
Breakfast Program (Severe Need Rate)	Paid	2,490	819	819	-	\$ 0.280	-
	Reduced	624	210	210	-	1.630	-
	Free	<u>7,325</u>	<u>2,574</u>	<u>2,574</u>	<u>-</u>	1.930	<u>-</u>
Total Net Overclaim		<u>10,439</u>	<u>3,603</u>	<u>3,603</u>	<u>-</u>		<u>-</u>

* - An additional \$.06 for Federal PB Lunch - Healthy Hunger-Free Kids Act

HOWELL TOWNSHIP SCHOOL DISTRICT**NET CASH RESOURCE SCHEDULE****NET CASH RESOURCES DID NOT EXCEED 3 MONTHS OF EXPENDITURES****PROPRIETARY FUNDS - FOOD SERVICE****FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>Net Cash Resources:</u>		Food Service G - 1/2
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ 8,024
G-1	Accounts Receivables	103,896
	Current Liabilities	
G-1	Less Accounts Payable	<u>(192,302)</u>
	Net Cash Resources	<u><u>\$ (80,382) (A)</u></u>
<u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	1,871,185
G-2	Less Depreciation	<u>(44,359)</u>
	Adjusted Total Operating Expenses	<u><u>1,826,826 (B)</u></u>
<u>Average Monthly Operating Expense:</u>		
	B / 10	<u><u>\$ 182,683 (C)</u></u>
<u>Three Times Monthly Average</u>		
	3 X C	<u><u>\$ 548,048</u></u>
Total in (A)		\$ (80,382)
Less Total in (D)		<u>(548,048)</u>
Net		<u><u>\$ (628,430)</u></u>