

Lawrence Township Board of Education

Auditor's Management Report

County of Mercer

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

	<u>Page</u>
Report of Independent Auditors	1.
Administrative Findings - Financial, Compliance and Performance Reporting	
Scope of Audit	2.
Administrative Practices and Procedures	
Insurance	2.
Officials Bonds	2.
Tuition Charges	2.
Financial Planning, Accounting and Reporting	
Examination of Claims	2.
Payroll Account	2.
Reserve for Encumbrances and Accounts Payable	3.
Classification of Expenditures	3.
Board Secretary's Records	3.
Treasurer's Records	3.
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	3.
Other Special Federal and/or State Projects	3.
T.P.A.F. Reimbursement	3.
School Purchasing Program	
Contracts and Agreements Requiring Advertisement for Bids	4 & 5.
School Food Service Fund	6.
Student Activity Accounts/Board Accounts	6.
Pupil Transportation	6.
Application for State School Aid	7.
Follow-Up on Prior Year's Findings	7.
Acknowledgment	7.
2% Calculation of Excess Surplus	8.
Application for State School Aid Summary	9 to 11.
Number of Meals Served and (Over)/Under Claim	12.
Net Cash Resources Schedule	13.

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.

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

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

REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
 of the Board of Education
 Lawrence Township School District
 County of Mercer, 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 Lawrence Township School District in the County of Mercer, for the year ended June 30, 2015, and have issued our report thereon dated December 3, 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 Lawrence 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 3, 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 (N.J.S.A. 18A:17-26.18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Thomas Eldridge	Board Secretary/School Business Administrator	\$ 100,000
Richard S. Krawczun	Treasurer	325,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the 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.

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% 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.

Treasurer's Records

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

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 I, Title IIA, 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.

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. The study of compliance for the special projects indicated no areas of noncompliance.

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.”

Effective July 1, 2010 N.J.S. 18A:18A-3 was amended to read as follows:

- 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 \$26,000 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 therefore, 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. (pending before the Legislature as section 15 of this bill) 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 \$36,000.00. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

- 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 with 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 of the rise and fall of the index rate as that term is defined in N.J.S. 18A:18A-2 (pending before the Legislature as section 50 of this bill), 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 every fifth year. The adjustment shall become effective on July 1 of the 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. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S. 18A:18A-4 is amended to read as follows:

- a. 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 therefore, except as is provided otherwise in this chapter or specifically by any other.

Effective July 1, 2005 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 as amended and 18A:30-3 are \$26,000.00 and \$18,300.00 or to \$36,000 with a certified purchasing agent, respectively.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and property pursuant to Chapter 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

School Food Service Fund

The food services for 2014-15 were awarded to Maschios Food Services Inc. on their proposal of a guaranteed return of \$105,000 to the district, which has been met. This amount returned was used for payroll purposes.

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 meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Prior to submitting reimbursement vouchers to the U.S. Department of Agriculture; the meals claimed were verified to the meal count activity records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals 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 policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were 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. Maschios Food Services Inc.'s 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 expenditures for program related goods and services. Districts with food service management companies are depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. 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.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G.

Student Activity Accounts/Board Accounts

Overall, our review of the student activity funds found all records to be in good order.

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.

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's procedures related to its completion.

Follow-up on Prior Years' Findings

There were no prior year audit findings.

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	\$ 69,223,094
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(6,108,994)</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 63,114,100</u>
2% of Adjusted 2014-15 General Fund Expenditures	\$ 1,262,282
Increased by: Allowable Adjustment	<u>302,838</u>
Maximum Unassigned Fund Balance	<u>\$ 1,565,120</u>

Section 2

Total General Fund – Fund Balance @ 6-30-15	\$ 9,731,568
Decreased by:	
Reserved for Encumbrances	(2,304,843)
Designated for Subsequent Year’s Expenditures	(2,040,000)
Designated for Subsequent Year’s Expenditures – Capital Reserve	(500,000)
Other Reserves	(3,114,340)
Excess Surplus Designated for Subsequent Years Expenditures	<u>(26,210)</u>
	<u>(7,985,393)</u>
Total Unassigned Fund Balance	<u>\$ 1,746,175</u>
Current Year Excess Surplus	<u>\$ 181,055</u>

Section 3

Excess Surplus	\$ 124,015
Designated for Subsequent Years Expenditures	<u>26,210</u>
	<u>\$ 150,225</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 257,545
Non-Public Transportation Aid	<u>45,293</u>
	<u>\$ 302,838</u>

Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 266,924
Emergency Reserve	200,000
Capital Reserve	<u>2,647,416</u>
Total Other Restricted Fund Balance	<u>\$ 3,114,340</u>

LAWRENCE SCHOOL DISTRICT

Sheet 1 of 3

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	2015-16 Application for State School Aid						Sample for Verification				Errors Per Registers on Roll				Private Schools for Handicapped					
	Reported On		Reported on		Errors		Sample Selected		Verified Per		Full		Shared		A.S.S.A. as		Sample		Sample	
	A.S.S.A. on Roll	Workpapers on Roll	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	as	Verification	Verified	Errors	
Full Day Preschool - 3 years	5	5	5	5	5	5	5	5	5	5	5	5	5							
Full Day Preschool - 4 years	40	40	29	89	29	89	29	89	29	89	29	89	29							
Full Day Kindergarten	280	280	89	86	86	86	86	86	86	86	86	86	86							
One	289	289	86	91	91	91	91	91	91	91	91	91	91							
Two	306	306	91	108	108	108	108	108	108	108	108	108	108							
Three	294	294	108	250	250	250	250	250	250	250	250	250	250							
Four	250	250	250	262	262	262	262	262	262	262	262	262	262							
Five	262	262	262	266	266	266	266	266	266	266	266	266	266							
Six	266	266	266	254	254	254	254	254	254	254	254	254	254							
Seven	254	254	254	237	237	237	237	237	237	237	237	237	237							
Eight	237	237	237	271	271	271	271	271	271	271	271	271	271							
Nine	271	271	271	239	239	239	239	239	239	239	239	239	239							
Ten	239	239	239	224	224	224	224	224	224	224	224	224	224							
Eleven	224	224	224	13	13	13	13	13	13	13	13	13	13							
Twelve	243	243	243	11	11	11	11	11	11	11	11	11	11							
Subtotal	3460	3460	24	24	24	24	24	24	24	24	24	24	24							
Special Ed. - Elementary	209	209	43	43	43	43	43	43	43	43	43	43	43							
Special Ed. - Middle School	116	116	116	116	116	116	116	116	116	116	116	116	116							
Special Ed. - High School	183	183	183	23	23	23	23	23	23	23	23	23	23							
Subtotal	508	508	23	23	23	23	23	23	23	23	23	23	23							
Co. Voc. - Regular																				
Co. Voc. - Ft. Post Sec.																				
Totals	3968	3968	47	47	47	47	47	47	47	47	47	47	47							
Percentage Error																				

LAWRENCE SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	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	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Full Day Kindergarten	48	48	20	20	12	12	7	7
One	70	70	17	17	13	13	9	9
Two	65	65	21	21	9	9	6	6
Three	67	67	14	14	7	7	5	5
Four	61	61	16	16	1	1	1	1
Five	54	54	15	15	5	5	3	3
Six	56	56	10	10	2	2	2	2
Seven	53	53	8	8	2	2	2	2
Eight	52	52	12	12	4	4	3	3
Nine	67	67	15	15	3	3	1	1
Ten	42	42	11	11	4	4	3	3
Eleven	46	46	16	16	6	6	5	5
Twelve	44.5	44.5	10	10	1	1	1	1
Subtotal	725.5	725.5	185	185	69	69	48	48
Special Ed. - Elementary	63	63	14	14				
Special Ed. - Middle School	38	38	15	15				
Special Ed. - High School	58.5	58.5	18	18				
Subtotal	159.5	159.5	47	47				
Totals	885	885	232	232	69	69	48	48
Percentage Error	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

TRANSPORTATION

	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors	Reported	Recalculated
Reg. - Public Schools	1,581.5	1,581.5		272	272		4.24	4.24
Transported - Non-Public	444.0	444.0		197	197		4.25	4.25
Special Education - Regular	198.0	198.0		122	122		5.50	5.50
Special Educ. - Special Needs	129.5	129.5		80	80			
Totals	2,353.0	2,353.0		671	671			
Percentage Error	0%	0%	0%	0%	0%	0%		

LAWRENCE SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2014

	Resident LEP Not Low Income		Sample for Verification	
	Reported on A.S.S.A. as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Full Day Kindergarten	12	12	8	8
One	7	7	5	5
Two	6	6	4	4
Three	6	6	3	3
Four	1	1	1	1
Five	4	4	3	3
Six	2	2	2	2
Seven				
Eight	4	4	4	4
Nine	3	3	3	3
Ten	7	7	5	5
Eleven	4	4	2	2
Twelve	4	4	1	1
Subtotal	60	60	41	41
Special Ed. - Elementary	2	2	2	2
Special Ed. - Middle School	1	1	1	1
Special Ed. - High School	3	3	3	3
Subtotal				
County Vocational - Regular				
Totals	63	63	44	44
Percentage Error				0.0%

SCHEDULE OF MEAL COUNT ACTIVITY

LAWRENCE 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	176,753	36,234	36,234	-	\$ 0.32	-
	Reduced	32,417	6,724	6,724	-	2.635	-
	Free	92,864	18,679	18,679	-	3.035	-
Total Net Overclaim		<u>302,034</u>	<u>61,637</u>	<u>61,637</u>	<u>-</u>		<u>-</u>
School Breakfast Program (Regular Rate)	Paid	825	825	825	-	\$ 0.28	-
	Reduced	488	488	488	-	1.32	-
	Free	4,860	4,860	4,860	-	1.62	-
Total Net Overclaim		<u>6,173</u>	<u>6,173</u>	<u>6,173</u>	<u>-</u>		<u>-</u>
School Breakfast Program (Severe Needs Rate)	Paid	2,165	2,165	2,165	-	\$ 0.28	-
	Reduced	941	941	941	-	1.63	-
	Free	9,802	9,802	9,802	-	1.93	-
Total Net Overclaim		<u>12,908</u>	<u>12,908</u>	<u>12,908</u>	<u>-</u>		<u>-</u>

LAWRENCE 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	\$ 293,115
G-1	Accounts Receivables	41,768
	Current Liabilities	
G-1	Less Accounts Payable	<u>(91,958)</u>
	Net Cash Resources	<u>\$ 242,925 (A)</u>
 <u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	1,519,522
G-2	Less Depreciation	<u>(54,533)</u>
	Adjusted Total Operating Expenses	<u>1,464,989 (B)</u>
 <u>Average Monthly Operating Expense:</u>		
	B / 10	<u>\$ 146,499 (C)</u>
 <u>Three Times Monthly Average</u>		
	3 X C	<u>\$ 439,497</u>
Total in (A)		\$ 242,925
Less Total in (D)		<u>(439,497)</u>
Net		<u>\$ (196,572)</u>