

***TOWNSHIP OF BETHLEHEM  
SCHOOL DISTRICT  
COUNTY OF HUNTERDON, NEW JERSEY***

***AUDITORS MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS –  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

***HODULIK & MORRISON, P.A.***  
*CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
HIGHLAND PARK, N.J.*

**TOWNSHIP OF BETHLEHEM BOARD OF EDUCATION  
HUNTERDON COUNTY, NEW JERSEY**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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**Tax ID Number 226001661**

**HODULIK & MORRISON, P.A**  
CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS  
PUBLIC SCHOOL ACCOUNTANTS  
1102 RARITAN AVENUE, P.O. BOX 1450  
HIGHLAND PARK, NJ 08904  
(732) 393-1000  
(732) 393-1196 (FAX)

ANDREW G. HODULIK, CPA, RMA, PSA  
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:  
AMERICAN INSTITUTE OF CPA'S  
NEW JERSEY SOCIETY OF CPA'S  
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable President and  
Members of the Board of Education  
Township of Bethlehem School District  
Hunterdon County, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, the basic financial statements of the Board of Education of the Township of Bethlehem School District in the County of Hunterdon for the year ended June 30, 2016, and have issued our report thereon dated November 18, 2016.

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 Township of Bethlehem School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

*Hodulik & Morrison, P.A.*

HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants

*Robert S. Morrison*

Robert S. Morrison  
Certified Public Accountant  
Public School Accountant #871

November 18, 2016  
Highland Park, New Jersey

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 Moneys, the activities of the Board of Education, and the records of the various funds and accounts under the auspices of the Board of Education.

The audit did not and could not determine the character of services rendered for which payment had been made nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the approval of such claims. Revenues and receipts were established and verified as to sources and amount only insofar as the records permitted.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

The District is a member of the New Jersey School Boards Association Insurance Group, a joint insurance fund formed under the provisions of N.J.S.A. 18A:18:b-1 et seq. One of the objectives of a joint insurance fund is to provide a cost effective risk management program. This is accomplished through member risk retention, pooled risk retention through the fund, and the procurement of excess insurance coverage at premiums that reflect the combined purchasing power of all the fund members. The fund's risk management plan, which sets forth limits of coverage, individual member risk retention (per occurrence and aggregate), fund risk retention, is set forth on Exhibit J-20 of the District's CAFR. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Board of Education.

Official Bonds

The following positions were covered by Surety Bonds:

Mr. Edward Kent, Interim SBA/Bd. Secretary	\$200,000.00
Ms. Lori A. Tirone, SBA/Board Secretary	200,000.00

The District also has procured a Public Employees' Faithful Performance Blanket Position Bond, issued by the Selective Insurance Company and covering all other employees, with a coverage limit of \$250,000.

Examination of Claims

An examination of claims paid during the period under review indicated that the improvements in the record keeping and documentation standards that began in the prior year continued during the current period. All disbursement transactions were posted to the District's financial accounting system and were supported by properly authorized purchase orders and vendor invoices or other appropriate documents.

A review of the purchase authorization and vendor payment procedures indicated that the system is functioning as designed. No exceptions were noted relating to budget lines charged, adequate documentation and evidence of authorization and approval signatures on issued purchase orders.

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING

### Examination of Claims (Cont'd.)

Tests of paid purchase orders for compliance with regulations requiring evidence of vendor registration with the New Jersey Department of Treasury prior to payment indicated that the improvements noted during the latter part of the previous fiscal year continued during the period under examination. Our test samples identified no instances where vendors were paid without obtaining the required evidence.

### Payroll Account

The Board maintained the Net Payroll and Agency Account method for the depositing and payment of its payrolls. The net payrolls from all sources are deposited in the payroll account and all payroll deductions, together with the Board's share, are deposited to the agency accounts.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator. Tests were made of these records with no exceptions noted. In our previous report, we cited problems relating to the tracking of amounts deducted from employee pay and subsequent transfers of these deductions. During the current period, an acceptable tracking of the payroll deductions and their disbursements was done utilizing the "payroll deductions ledger" provided by the payroll service.

During the current audit period, most likely as the result of some personnel changes within the business office, the monthly reconciliation of the payroll and agency accounts ceased, and the records, as presented for audit, had not been reconciled. As most District employees are now paid by direct deposit, and as the Business Office Manager made great efforts to disburse the amounts withheld to the appropriate agencies with minimal time lags, the number of items requiring additional audit scrutiny was minimized. However, absent a monthly cash reconciliation and balance identification, a key feature of the internal controls over payroll was non-functional. It is essential to demonstrate the propriety of cash transfers to the payroll and agency accounts, and their ultimate disbursement as net pay or payroll deductions, that these accounts be reconciled timely and any account balances be identified for clearance.

It is recommended that a complete cash reconciliation, including the identification of the purpose for any residual balance, be performed for the payroll and agency accounts on a monthly basis.

The District instituted a "Summer Payment" plan during 2014-15 that allows employees to make discretionary withholdings from their earnings which are accumulated in a Board controlled account for disbursement to the employees over the summer months. Deposits to the Summer Pay account were reconciled to employee deductions and the balance in the Summer Pay account was identified to each participating employee on a monthly basis.

During the current period, tests of payroll records indicated that the District had procedures in place to ensure the timely enrollment of all employees who are entitled to membership in the state-sponsored pension systems. Tests of employees whose payroll records indicated that no pension deductions were being withheld indicated that the employee was not eligible in every instance.

As part of our engagement, we also performed tests to determine that employees were being paid at the contractual rates approved by the Board or included in collective bargaining agreements, that employees who were eligible for health benefits were enrolled timely, and that employee contributions to the cost of health benefits were being deducted from employee pay in the proper amounts. These tests yielded no exceptions.

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING

### Payroll Account (Cont'd.)

We noted that the District utilizes an external service organization for the processing of payrolls, and identified a significant component of the Bethlehem Township School District's internal control function exercised by this service organization. In accordance with applicable auditing standards we requested a report from an independent accountant on the service organization's controls placed in operation and the results of tests (if any) of the operating effectiveness of the controls. In response, the District received such a report, covering the period from July 1, 2015 to June 30, 2016, which indicates that the service organization's controls are suitably designed to achieve the specified control objectives and have been placed in operation.

### TPAF Reimbursement to the State for Federal Salary Expenditures

We reviewed the amounts of the expenditure charged to the current year's Final Report for all federal awards for the District to determine if the District was required to reimburse the State for the TPAF Pension and Social Security payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds. The reimbursement was properly calculated and remitted.

### Reserve for Encumbrances, Liability (Current) for Accounts Payable Classification of Expenditures

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 reserves for encumbrances. The use of blanket orders during the school year was minimal, was based on operating efficiencies, and controls over their utilization were found to be good.

Tests of the records indicated that encumbrances were recorded in the appropriate accounting period and that all amounts payable at the close of the year based upon delivery of goods and/or performance of services had been charged against the current year budget appropriations, with no exceptions noted.

### Board Secretary's Records

As has been indicated in other sections of this report, our review of the records of the Interim School Business Administrator/Board Secretary revealed continued emphasis on the completeness and accuracy of the financial records of the District. The improved quality and timeliness of the financial reporting process that was noted in our prior report was sustained during the current period. We noted that, due to unfamiliarity with the accounting systems in use, June 30, 2015 purchase orders for building improvements and upgrades were recorded against the 2015-16 budget rather than rolling forward from the prior year. This matter was brought to the attention of the current SBA during the audit process.

The official minute record was found to be sufficient for a required permanent record. Official minutes were signed by the Interim Board Secretary and/or Board Secretary and approved by the Board at subsequent meetings. An official attachments record is maintained by the Secretary as a supplement to the minute records for items too large or cumbersome to include in the minute books.

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Cont'd.)

### Treasurer's Records

At June 30, 2013, the in-house financial records maintained by the business office were deemed to be sufficient to eliminate the need for a separate Treasurer's position, and the Board eliminated the Treasurer's position for the 2013-2014 school year. The business office assumed all duties previously performed by the Treasurer, including maintenance of financial accounting records, monthly cash reconciliations and reports to the Board of Education. Except as noted in our comments relating to the payroll and agency accounts, we identified no issues relating to the timing or accuracy of the cash reconciliations prepared by the Business Office.

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

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and II of the Elementary and Secondary Education Act as amended. Additional federal funding was received for I.D.E.A. Part B Basic and Preschool programs, as well as the Rural Education Achievement Program.

During the current period, all accounts receivable from the prior period were collected, and accounts receivable for special revenue programs reported on June 30, 2016 were collected within 60 days of the close of the year.

### Other Special Federal and/or State Projects

The District's State Special Projects were approved as listed Schedule B located in the CAFR.

The financial exhibits are contained within the Special Revenue section of the CAFR, which documents the financial position pertaining to the aforementioned special projects on a grant accounting budgetary basis and reports the financial position of the fund on a GAAP basis at June 30, 2016.

### T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly 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 payroll software produces reports of T.P.A.F. employees and covered salaries, and calculates the amounts of reimbursements to be sought. Tests of these reports yielded no exceptions.

## 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 \$17,500.00, 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 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 quotes.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Cont'd.)

SCHOOL PURCHASING PROGRAMS (Cont'd.)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd.)

If the 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 \$25,000. Such authorization may be granted for each contract or by 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 to 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. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. 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 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. of N.J.S.18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.”

N.J.S.A. 18A:18A-4 states, Every contract or agreement for the 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 law.”

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (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 \$18,800 for 2015-16.

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.

Our tests did not reveal any instances of individual payments, contracts or agreements for the performance of work or the provision of goods or services in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

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



## SCHOOL PURCHASING PROGRAMS (CONT'D):

### Contracts and Agreements Requiring Advertisement for Bids (Cont'd.)

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.

The results of the audit indicated that the existing procurement policies and procedures were adequate to identify contemplated purchases that required additional procedures (quotes, bids, etc.) to comply with the provisions of the School Contracts Law, and no instances of non-compliance were identified by the audit.

Any interpretation as to possible violation of statute(s) would be in the province of the Board's solicitor.

### Pay-to-Play Requirements

An anomaly exists in the "Pay-to-Play" statutes when they are matched with the School Public Contracts Law (SPCL) requirements to determine compliance requirements. The threshold for Pay-to-Play was set at \$17,500, with no escalator provision. At the time c.271 was enacted, the bid threshold per the SPCL was also set at \$17,500. However, effective July 1, 2005, the bid threshold was increased to \$21,000. Subsequent adjustments by the Governor pursuant to the enabling statute have further increased the bid threshold. This created a gap for compliance, as under c. 271, a contract not awarded using a fair & open process and exceeding \$17,500 triggers the filing of additional documentation relating to ownership of the contracting entity and disclosure of political contributions. Since "Pay-to-Play" laws cover all contracts (not just professional services as some believe) any contract (or aggregation of purchases of similar goods or services) that does not meet "fair and open" standards requires the Township to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006. One of the beneficial aspects of the Township's decision to operate its procurement function using a bid threshold of \$17,500 is that the "Pay-to-Play" threshold and the LPCL threshold remain in synch.

The District has modified its purchase order approval procedures to require a determination prior to approval that the vendor in question will not exceed \$17,500 in the aggregate based upon the approval. In circumstances where the approval of a purchase order would result in the need for compliance with the pay-to-play regulations, the PO process is held in abeyance pending receipt of the requisite compliance documents. However, to our knowledge, this revised procedure has not been formalized as part of Board Policy or a formal purchasing manual. Tests of vendor records did not identify any noncompliance with the provisions of c. 271.

### School Food Service Fund

The school food service program was not selected as a major federal or state program. Furthermore, the program expenditures did not exceed \$100,000 in federal support. The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test check basis. The Bethlehem School District is a participant in the National School Lunch Program.

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test check basis.

## SCHOOL PURCHASING PROGRAMS (CONT'D):

### School Food Service Fund (Cont'd.)

The number of meals claimed for reimbursement was verified against sales and meal count records. Reimbursement vouchers were timely filed, and meals claimed were in agreement with meal count 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 was compared to 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 was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenses consist of billings from a contractor engaged by the Board to administer the District's cafeteria operations. All billings were fully itemized, and audit tests revealed no exceptions to the terms of the contract.

Amounts collected for food sales are deposited to a Board account. The appropriate revenue and expense 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.

Appropriate records were maintained to substantiate the non-profit status of the Food Service Fund. Net cash resources did not exceed three months average expenses.

We noted that the District has established an on-line prepayment system for its food service program and has acquired the requisite software to permit the tracking of account balances. However, the food management company (FMC) has not modified its monthly reporting to provide a tracking of monthly prepayment receipts, sales against these accounts, and proofs of the monthly balances (prepaid and overdrawn) reported by the software. We suggest that the FMC be contacted and that the necessary steps be taken to permit both the segregation of cash sales from prepayment transactions and a reporting of monthly prepayment account transactions and balances.

U.S.D.A. commodities were received and separate inventory records were maintained by the contractor 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 Funds

Student activity account financial records were sufficient to identify cash received and disbursed by purpose or function. Cash reconciliations were performed on a monthly basis. The District should consider the establishment of formal procedures and uniform record keeping requirements, including the submission of monthly reports and reconciliations, to the SBA as a means of improving internal controls over student activity account transactions.

SCHOOL PURCHASING PROGRAMS (CONT'D):

Application for State School Aid (A.S.S.A.)

Our audit included a test of information reported in the October 15, 2015 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of District procedures relating to its completion.

The District maintained workpapers on the prescribed state forms or their equivalent. The District written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our procedures included a test of on-roll status reported in the 2015-16 District Report of Resident Transported Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor 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.

SUMMARY OF RECOMMENDATIONS

It is recommended that a complete cash reconciliation, including the identification of the purpose for any residual balance, be performed for the payroll and agency accounts on a monthly basis.

Status of Prior Year Findings:

Not Applicable – No prior year findings  
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ACKNOWLEDGMENT

During the course of our audit, we received the complete cooperation of all the officials of the school district, and we greatly appreciate the courtesies extended to us.

Respectfully submitted,



HODULIK & MORRISON, P.A.  
Certified Public Accountants  
Public School Accountants



Robert S. Morrison  
Certified Public Accountant  
Public School Accountant #871

**NET CASH RESOURCE SCHEDULE**

**Net cash resources did/did not exceed three months of expenditures  
Proprietary Funds - Food Service  
FYE 2016**

		<b>Food Service B - 4/5</b>	
<b><u>Net Cash Resources:</u></b>			
<b>CAFR</b>	<b>*</b>	<b>Current Assets</b>	
B-4		Cash & Cash Equiv.	\$ 1,287.38
B-4		Due from Other Gov'ts	
B-4		Accounts Receivable	121
B-4		Investments	
<b>CAFR</b>		<b>Current Liabilities</b>	
B-4		Less Accounts Payable	0
B-4		Less Accruals	
B-4		Less Due to Other Funds	(121)
B-4		Less Deferred Revenue	
		<b>Net Cash Resources</b>	<b><u>\$ 1,287.38</u></b> (A)

**Net Adj. Total Operating Expense:**

B-5	Tot. Operating Exp.	99,266	
B-5	Less Depreciation	<u>(8,948)</u>	
	Adj. Tot. Oper. Exp.	<b><u>\$ 90,317.57</u></b>	(B)

**Average Monthly Operating Expense:**

B / 10	<b><u>\$ 9,031.76</u></b>	(C)
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**Three times monthly Average:**

3 X C	<b><u>\$ 27,095.27</u></b>	(D)
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TOTAL IN BOX A	<u>\$ 1,287.38</u>
LESS TOTAL IN BOX D	<u>\$ 27,095.27</u>
NET	<b><u>\$ (25,807.89)</u></b>

From above:

**A is greater than D, cash exceeds 3 X average monthly operating expenses.**

**D is greater than A, cash does not exceed 3 X average monthly operating expenses.**

\* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

**SCHEDULE OF AUDITED ENROLLMENTS**

**BETHLEHEM SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENTS AS OF OCTOBER 15, 2015**

	2015-16 Application for State School Aid (10/15/15 data)						Sample for Verification						Private Schools for Handicapped			
	Reported on A.S.S.A. On Roll		Workpapers On Roll		Errors		Sample Selected From Workpapers		Registers On Roll		Errors		Reported on A.S.S.A. Private Schools		Sample Verification	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool - 4 Yr	2		2				1	1								
Full Day Preschool							16	16								
Half Day Kindergarten	36		36		1		13	13								
Full Day Kindergarten	33		32		(1)		7	7								
One	29		23				13	13								
Two	23		34				11	11								
Three	34		36				18	18								
Four	36		46				25	25								
Five	46		47		1		25	25								
Six	47		48		(1)		23	23								
Seven	47															
Eight																
Nine																
Ten																
Eleven																
Twelve																
Post - Graduate																
Adult H.S (15+CR.)																
Adult H.S. (1-14CR.)																
Subtotals	333		333				152	152						3	3	3
Sp Ed - Elementary	31		31				21	21								
Sp Ed - Middle School	24		24				13	13								
Sp Ed - High School																
Subtotals	55		55				34	34						3	3	3
Co. Voc. - Regular																
Co. Voc. Ft. - Post Sec.																
Totals	388		388				186	186						3	3	3
Percentage Error																

**SCHEDULE OF AUDITED ENROLLMENTS**

**BETHLEHEM SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENTS AS OF OCTOBER 15, 2015**

	Low Income		Sample for Verification		Resident LEP		Sample for Verification	
	Reported on A.S.A. As Low Income	Workpapers As Low Income	Sample Selected From Workpapers	Application And Register	Reported on A.S.A. as LEP Education	Workpapers LEP Education	Sample Selected From Workpapers	Test Score and Register
Half Day Preschool								
Full Day Preschool								
Half Day Kindergarten								
Full Day Kindergarten	2	2	1					
One								
Two								
Three	2	2	2					
Four								
Five	2	2	2					
Six	2	2	2					
Seven	1	1	1					
Eight	1	1	1					
Nine								
Ten								
Eleven								
Twelve								
Subtotals	10	10	9					
Sp Ed - Elementary								
Sp Ed - Middle School	1	1	1					
Sp Ed - High School								
Subtotals	1	1	1					
Co. Voc. - Regular								
Co. Voc. Ft. Post Sec.								
Totals	11	11	10					
Percentage Error								

	Transportation			
	Reported on DRTS by DOE	Reported on District	Errors Tested	Verified Errors
Reg. - Public Schools, col. 1	250	250	117	117
Reg.-SpEd, col. 4	64	64	26	26
Transported - Non-Public, col. 3	6	6	5	5
Special Ed Spec, col. 6	16	16	13	13
Totals	336	336	161	161

	Reported	Recalculated
Avg. Mileage - Regular Inc. PK Students	5.2	5.2
Avg. Mileage - Regular Exc. PK Students	5.2	5.2
Avg. Mileage - Special Ed. With Special Needs	8.4	8.4

Percentage Error

**EXCESS SURPLUS CALCULATION**

**SECTION 1 - REGULAR DISTRICT**

**A. 2% Calculation of Excess Surplus**

2015-2016 Total General Fund Expenditures per the CAFR "C-1"	\$ <u>9,521,327.20</u> (B)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1b)
Transfer from General Fund to SFR for Pre-K Regular	\$ <u>0.00</u> (B1c)
Transfer from General Fund to SFR for Pre-K Inclusion	\$ <u>0.00</u> (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>938,435.62</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-B2s)]	<u>8,582,891.58</u> (B3)
2% of Adjusted 2015-2016 General Fund Expenditures [(B3) times .02]	\$ <u>171,657.83</u> (B4))
Enter Greater of (B4) or \$250,000	\$ <u>250,000.00</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>19,692.00</u> (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>269,692.00</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/16 (Per CAFR Budgetary Comparison schedule/statement)	\$ <u>2,259,035.70</u> (C)
Decreased by:	
Reserve for Encumbrances	\$ <u>628.00</u> (C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>308,250.33</u> (C3)
Other Reserved Fund Balances****	\$ <u>1,131,413.80</u> (C4)
Assigned Unreserved Fund Balance - Designated for Subsequent Year's Expenditures	\$ <u>380,942.00</u> (C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>437,801.57</u> (U1)

**SECTION 3**

Restricted Fund Balance-Excess Surplus ***((U1-(M)) If negative enter -0-	\$ <u>168,109.57</u> (E)
<b><u>Recapitulation of Excess Surplus as of June 30, 2016</u></b>	
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures**	\$ <u>308,250.33</u> (C3)
Reserved Excess Surplus*** (E)	\$ <u>168,109.57</u> (E)
Total Excess Surplus [(C3) +(E)]	\$ <u>476,359.90</u> (D)



Footnotes:

\* Allowable adjustment to expenditures on line K must be as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

(H) Federal Impact Aid. The passage of P.L. 2015, c. 46 amended NJSA 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, for the year ending June 30, 2015, the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by Board resolution during June of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4).

(I) Sale and Leaseback (Refer to audit Program Section II, Chapter 10)

(J1) Extraordinary Aid

(J2) Additional Nonpublic School Transportation Aid

(J3) Recognized current year School Bus Advertising Revenue, and

(J4) Family Crisis Transportation Aid

Notes to auditor: Refer to audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Non public School Transportation Aid

**Detail of Allowable Adjustments**

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ <u>16,010.00</u>	(J1)
Additional Nonpublic School Transportation Aid	\$ <u>3,682.00</u>	(J2)
Current year School Bus Advertising Rev. Recognized	\$ <u>0.00</u>	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$ <u>19,692.00</u>	(K)

\*\* This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amount must agree to the June 30, 2015 CAFR and must agree to Audit Summary Worksheet Line 90030.

\*\*\*\* Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by any other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

**Detail of Other Reserved Fund Balance**

Statutory restrictions:

Approved unspent separate proposal	\$ _____
Capital Outlay for a district with a capital outlay SGLA	\$ _____
Sale/lease-back reserve	\$ _____
Capital Reserve	\$ <u>480,598.63</u>
Maintenance Reserve	\$ <u>650,815.17</u>
Tuition Reserve	\$ _____
Emergency Reserve	\$ _____
Waiver Offset reserve	\$ _____
(Other Reserved Fund Balance not noted above)****	\$ _____
Total Other Reserved Fund Balance	\$ <u>1,131,413.80</u> (C4)