

**BOARD OF EDUCATION**  
**HACKETTSTOWN SCHOOL DISTRICT**  
**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE**  
**FINDINGS, FINANCIAL, COMPLIANCE AND PERFORMANCE**  
**For the Year Ended June 30, 2016**

**HACKETTSTOWN SCHOOL DISTRICT**  
**Auditors Management Report on Administrative Findings - Financial, Compliance**  
**and Performance**

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Federal Identification Number 22-6001846



Bedard, Kurowicki & Co.  
Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

## Independent Auditors' Report

Honorable President and Members  
of the Board of Education  
Hackettstown School District  
County of Warren, New Jersey

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 basic financial statements of the Board of Education of the Hackettstown School District in the County of Warren for the year ended June 30, 2016, and have issued our report thereon dated November 16, 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 Hackettstown 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.

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**

A handwritten signature in black ink that reads "William Colantano".

William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128

November 16, 2016  
Flemington, New Jersey

# HACKETTSTOWN SCHOOL DISTRICT

June 30, 2016

## 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, and the records of the various funds under the auspices of the Board of Education.

## School Purchasing Programs

### Contracts and Agreements Requiring Advertisement for Bids

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

- A. "Any purchase, contract or agreement for the performance of any work or the furnishing or hiring of materials or supplies, the cost or price of 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 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 therefore."
- 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 area 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 therefore, 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 April 17, 2000, N.J.S.A. 18A:18A (Public School Contracts Law) was revised by PL 1999 Ch. 440. The associated rules were drafted by the Department of Local Government Services of the State of New Jersey, with consultation from the Commissioner of Education of New Jersey.

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 is \$29,000 and \$18,800, respectively.

**HACKETTSTOWN SCHOOL DISTRICT**

**June 30, 2016**

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

In accordance with 18A:18A-3a and N.J.A.C. 5:34-5 et seq. the Board of Education has appointed a "Qualified Purchasing Agent" which allows the Board of Education to increase the bid threshold and to grant the authorization to negotiate contracts below the bid threshold.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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.

Our examination of the minutes indicated that contracts were awarded for the following:

- Construction services
- Electrical service upgrades
- Drainage improvements
- Contracted maintenance services
- Food service management service
- Child study team related services
- Custodial services

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. Expenditures 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 threshold where there had been no advertising for bids in accordance with the provision 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, PL 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that the following purchases were made through the use of state contracts:

- Copier rentals
- Instructional supplies
- Technology equipment and services
- Custodial supplies

**HACKETTSTOWN SCHOOL DISTRICT**

**June 30, 2016**

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

Purchases were also made through cooperative agreements for the following:

- |                                   |                                 |
|-----------------------------------|---------------------------------|
| Natural gas                       | Transportation                  |
| Instructional supplies            | Custodial supplies              |
| Custodial supplies                | Long distance telephone service |
| Electric generation               | Technology services             |
| Technology equipment and supplies | Electric and HVAC services      |

Administrative Practices and Procedures

Insurance

Fire and other insurance coverage evidenced by policies were carried in the amounts as reflected in the Insurance Schedule included in the District’s Comprehensive Annual Financial Report.

Adequacy of insurance coverage is the responsibility of the Board of Education.

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

Surety bond coverage in force during the period was:

| <u>Name of Employee</u> | <u>Position</u>                  | <u>Amount</u> |
|-------------------------|----------------------------------|---------------|
| Gail Woickowski         | Secretary/Business Administrator | \$ 250,000    |

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated nominal discrepancies with respect to signatures, certification or supporting documentation.

Other Special Federal and/or State Projects

Special Federal and State projects of the District are reflected on Schedules K-3 and K-4 included in the Comprehensive Annual Financial Report.

Our examination of the special projects, 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 within the CAFR represent a true statement of the financial position pertaining to the aforementioned special projects.

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.

## HACKETTSTOWN SCHOOL DISTRICT

June 30, 2016

All payrolls were approved by the Chief School Administrator and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Finding # 2016-3: The payroll withholding balances were not accurately maintained & monitored on a monthly basis.

Recommendation: Continuing effort should be made to ensure that payroll withholding balances are accurately maintained and monitored on a monthly basis.

Finding #: 2016-4: The District failed to complete their verification of payroll check distribution procedure within the required 3-year time frame.

Recommendation: The District should implement procedures to ensure that the verification of payroll check distribution procedure is performed within the required 3-year time frame.

### Reserve for Encumbrances, Liability (Current) for 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 reserves for encumbrances. Also unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. As a result of the procedures performed, a nominal transaction error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### Treasurer's Records

Per P.L. 2010, Chapter 39, the position of Treasurer of School Monies was made optional. The District has opted not to appoint a Treasurer for the District. The records of individuals performing the duties of this position have been reviewed and those records have been maintained in good order.

### Board Secretary's Accounting Records

The records of the Board Secretary were maintained in good order.

### Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

## HACKETTSTOWN SCHOOL DISTRICT

June 30, 2016

### TPAF (Social Security) 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 Teacher's Pension and Annuity Fund. No exceptions were noted.

### School Food Service

#### Food Service Fund

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a Food Service Management Company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will generate a profit of \$25,000. The operating results provision has been met.

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

The cash disbursements 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 exceeded three months average expenditures.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted and certified in a timely manner.

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. The free and reduced price meal policy is uniformly administered throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

Food Distribution Program commodities were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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



**HACKETTSTOWN SCHOOL DISTRICT**  
**June 30, 2016**

Schedule of Meal Count Activity

| Program                | Meal Category | Meals Claimed | Meals Verified | Difference | Rate    | Under Claim |
|------------------------|---------------|---------------|----------------|------------|---------|-------------|
| National School Lunch  | Paid          | 53,558        | 53,558         | 0          | \$ .330 | \$ 0        |
|                        | Reduced       | 548           | 548            | 0          | 2.725   | 0           |
|                        | Free          | 3,060         | 3,060          | 0          | 3.125   | 0           |
| HHFKA Aid              |               | 104,433       | 104,433        | 0          | .06     | 0           |
| Breakfast-Severe Needs | Paid          | 13,702        | 13,704         | (2)        | .29     | 0           |
|                        | Reduced       | 1,075         | 1,075          | 0          | 1.69    | 0           |
|                        | Free          | 19,252        | 19,252         | 0          | 1.99    | 0           |
| Breakfast-Regular      | Paid          | 103           | 103            | 0          | .29     | 0           |
|                        | Reduced       | 4             | 4              | 0          | 1.36    | 0           |
|                        | Free          | 238           | 238            | 0          | 1.66    | 0           |

Application for State School Aid

Our audit procedures included a test of the information reported in the October 15, 2015, Application for State School Aid (ASSA) Data Listing for on-roll, private schools for the handicapped, and transportation. We also performed a review of the District procedures related to its completion. The information on the data listing was compared to the District work papers without exception as noted in the audit. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained work papers on the prescribed state forms or their equivalent. The District has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility summary report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

TPAF Reimbursement to the State for Federal Salary Expenditures

No reimbursement is due to the State to reimburse for the TPAF/FICA payments made by the State on-behalf of the District. The District had no employees with applicable salaries identified as being paid from federal funds.

# HACKETTSTOWN SCHOOL DISTRICT

June 30, 2016

## Other Matters

Finding # 2016-1: The District under-reported their eligible costs on the Extraordinary Aid Application.

Recommendation: The District should review their procedures for the completion of the Extraordinary Aid application to ensure that they are reporting all applicable eligible costs.

Finding # 2016-2: The District was reimbursed more than the amount expended for the NCLB Title I program in the Special Revenue Fund for fiscal year ended June 30, 2016.

Recommendation: Procedures should be implemented to ensure that the NCLB Title I federal grant is not reimbursed for more than the amount expended.

## Suggestions to Management:

1. The use of undesignated balances in the Student Activity Funds for instructional supplies should be approved by the Board of Education prior to the purchase.
2. The District should make continuing effort to reduce the net cash resources of the District's Food Service Fund to an acceptable level as per State regulations.

**HACKETTSTOWN SCHOOL DISTRICT**  
**Net Cash Resource Schedule**

Net cash resources did exceed three months of expenditures  
Proprietary Funds - Food Service  
For the Fiscal Year Ending June 30, 2016

| <u>Net cash resources</u>        | <u>Food<br/>Services<br/>Fund</u> |
|----------------------------------|-----------------------------------|
| CAFR Schedule                    |                                   |
| Current assets                   |                                   |
| B-4      Cash & cash equivalents | \$      193,099                   |
| B-4      Due from other funds    | \$        23,201                  |
| B-4      Accounts receivable     | 15,030                            |
|                                  |                                   |
| Current liabilities:             |                                   |
| B-4      Less: accounts payable  | (20,664)                          |
| B-4      Less: unearned revenue  | (7,339)                           |
|                                  | (28,003)                          |
| Net cash resources               | \$      203,327 (A)               |

Net adjusted total operating expenses

|                                       |                     |
|---------------------------------------|---------------------|
| B-5      Total operating expenses     | \$      470,009     |
| B-5      Less: depreciation           | (8,993)             |
|                                       | (8,993)             |
| Net adjusted total operating expenses | \$      461,016 (B) |

Average monthly operating expense

|          |                    |
|----------|--------------------|
| (B) / 10 | \$      46,102 (C) |
|----------|--------------------|

Three months of average monthly operating expense

|         |                     |
|---------|---------------------|
| (C) X 3 | \$      138,306 (D) |
|---------|---------------------|

|   |                     |
|---|---------------------|
| Net cash resources                                | \$      203,327 (A) |
| Three months of average monthly operating expense | 138,306 (D)         |
| Excess cash resources                             | \$      65,021      |

From above:

A is greater than D, cash exceeds three months of average monthly operating expenses.

D is greater than A, cash does not exceed three months of average monthly operating expenses.

Net cash resources did exceed three months of expenditures.

**HACKETTSTOWN SCHOOL DISTRICT**  
**Application for State School Aid Summary**  
**Enrollment as of October 15, 2015**

Schedule of Audited Enrollments

|                          | 2016 - 2017 Application for State School Aid |        |             |        |        |        | Sample for Verification |        |              |        |            |        | Private Schools for Disabled |         |          |        |
|--------------------------|--|--------|-------------|--------|--------|--------|-------------------------|--------|--------------|--------|------------|--------|------------------------------|---------|----------|--------|
|                          | Reported on                                  |        | Reported on |        | Errors |        | Sample                  |        | Verified per |        | Errors per |        | Reported                     | Sample  |          |        |
|                          | ASSA   |        | Workpapers  |        |        |        | Selected from           |        | Registers    |        | Registers  |        | on ASSA                      | for     |          |        |
|                          | on Roll                                      |        | on Roll     |        |        |        | Workpapers              |        | on Roll      |        | on Roll    |        | as Private                   | Verifi- | Sample   | Sample |
|                          | Full   | Shared | Full        | Shared | Full   | Shared | Full                    | Shared | Full         | Shared | Full       | Shared | Schools                      | cation  | Verified | Errors |
| Half day preschool age 3 | -  | -      | 4           | -      | (4)    | -      | 1                       | -      | -            | -      | 1          | -      | -                            | -       | -        | -      |
| Full day preschool age 3 | -  | -      | -           | -      | -      | -      | -                       | -      | -            | -      | -          | -      | -                            | -       | -        | -      |
| Half day preschool age 4 | -  | -      | 1           | -      | (1)    | -      | 1                       | -      | -            | -      | 1          | -      | -                            | -       | -        | -      |
| Full day preschool age 4 | -  | -      | -           | -      | -      | -      | -                       | -      | -            | -      | -          | -      | -                            | -       | -        | -      |
| Half day kindergarten    | -  | -      | -           | -      | -      | -      | -                       | -      | -            | -      | -          | -      | -                            | -       | -        | -      |
| Full day kindergarten    | 117  | -      | 117         | -      | -      | -      | 18                      | -      | 18           | -      | -          | -      | -                            | -       | -        | -      |
| One                      | 110  | -      | 112         | -      | (2)    | -      | 19                      | -      | 19           | -      | -          | -      | -                            | -       | -        | -      |
| Two                      | 103  | -      | 104         | -      | (1)    | -      | 20                      | -      | 20           | -      | -          | -      | -                            | -       | -        | -      |
| Three                    | 85   | -      | 85          | -      | -      | -      | 15                      | -      | 16           | -      | (1)        | -      | -                            | -       | -        | -      |
| Four                     | 97   | -      | 97          | -      | -      | -      | 17                      | -      | 17           | -      | -          | -      | -                            | -       | -        | -      |
| Five                     | 85   | -      | 87          | -      | (2)    | -      | 15                      | -      | 15           | -      | -          | -      | -                            | -       | -        | -      |
| Six                      | 84   | -      | 84          | -      | -      | -      | 13                      | -      | 13           | -      | -          | -      | -                            | -       | -        | -      |
| Seven                    | 81   | -      | 81          | -      | -      | -      | 13                      | -      | 13           | -      | -          | -      | -                            | -       | -        | -      |
| Eight                    | 71   | -      | 72          | -      | (1)    | -      | 12                      | -      | 12           | -      | -          | -      | -                            | -       | -        | -      |
| Nine                     | 205  | -      | 203         | -      | 2      | -      | 36                      | -      | 34           | -      | 2          | -      | -                            | -       | -        | -      |
| Ten                      | 187  | -      | 188         | -      | (1)    | -      | 32                      | -      | 31           | -      | 1          | -      | -                            | -       | -        | -      |
| Eleven                   | 198  | -      | 200         | -      | (2)    | -      | 31                      | -      | 31           | -      | -          | -      | -                            | -       | -        | -      |
| Twelve                   | 197  | -      | 197         | -      | -      | -      | 37                      | -      | 37           | -      | -          | -      | -                            | -       | -        | -      |
| Post-graduate            | -  | -      | -           | -      | -      | -      | -                       | -      | -            | -      | -          | -      | -                            | -       | -        | -      |
| Adult HS (15+CR)         | -  | -      | -           | -      | -      | -      | -                       | -      | -            | -      | -          | -      | -                            | -       | -        | -      |

**HACKETTSTOWN SCHOOL DISTRICT**  
**Application for State School Aid Summary**  
**Enrollment as of October 15, 2015**

Schedule of Audited Enrollments

|                                       | 2016-2017 Application for State School Aid |        |                           |        |        |        | Sample for Verification               |        |                           |        |                         |        | Private Schools for Disabled |               |          |        |
|---------------------------------------|--|--------|---------------------------|--------|--------|--------|---------------------------------------|--------|---------------------------|--------|-------------------------|--------|------------------------------|---------------|----------|--------|
|                                       | Reported on<br>ASSA                        |        | Reported on<br>Workpapers |        | Errors |        | Sample<br>Selected from<br>Workpapers |        | Verified per<br>Registers |        | Errors per<br>Registers |        | Reported<br>on ASSA          | Sample<br>for | Sample   | Sample |
|                                       | On Roll                                    |        | On Roll                   |        |        |        | On Roll                               |        | On Roll                   |        | On Roll                 |        | as Private                   | Verifi-       | Sample   | Sample |
|                                       | Full                                       | Shared | Full                      | Shared | Full   | Shared | Full                                  | Shared | Full                      | Shared | Full                    | Shared | Schools                      | cation        | Verified | Errors |
| Adult HS (1-14CR)                     |  |        |                           |        |        |        |                                       |        |                           |        |                         |        |                              |               |          |        |
| Subtotal                              | 1,620                                      | -      | 1,632                     | -      | (12)   | -      | 280                                   | -      | 276                       | -      | 4                       | -      | -                            | -             | -        | -      |
| Special Education - Elementary        | 104  | -      | 103                       | -      | 1      | -      | 15                                    | -      | 15                        | -      | -                       | -      | 3                            | -             | -        | -      |
| Special education - Middle            | 58   | -      | 57                        | -      | 1      | -      | 11                                    | -      | 11                        | -      | -                       | -      | -                            | -             | -        | -      |
| Special education - High school       | 134  | -      | 134                       | -      |        | -      | 25                                    | -      | 25                        | -      | -                       | -      | 5                            | 4             | 4        | -      |
| Subtotal                              | 296  | -      | 294                       | -      | 2      | -      | 51                                    | -      | 51                        | -      | -                       | -      | 8                            | 4             | 4        | -      |
| County vocational - Regular           |  |        |                           |        |        |        |                                       |        |                           |        |                         |        |                              |               |          |        |
| City vocational - Full time post sec. |  |        |                           |        |        |        |                                       |        |                           |        |                         |        |                              |               |          |        |
| Totals                                | 1,916                                      | -      | 1,926                     | -      | (10)   | -      | 331                                   | -      | 327                       | -      | 4                       | -      | 8                            | 4             | 4        | -      |
| Percentage error                      |  |        |                           |        | -0.52% | 0.00%  |                                       |        |                           |        | 1.21%                   | 0.00%  |                              |               |          | 0.00%  |

**HACKETTSTOWN SCHOOL DISTRICT**  
**Applicaton for State School Aid Summary (continued)**  
**Enrollment as of October 15, 2015**

Schedule of Audited Enrollments

|                                 | Resident Low Income            |                                      |               | Sample for Verification         |                                    |               | Resident LEP Low Income            |  |              | Sample for Verification         |                                   |               |
|---------------------------------|--------------------------------|--------------------------------------|---------------|---------------------------------|------------------------------------|---------------|------------------------------------|--|--------------|---------------------------------|-----------------------------------|---------------|
|                                 | Reported on ASSA as Low Income | Reported on Workpapers as Low Income | Errors        | Sample Selected from Workpapers | Verified to Application & Register | Sample Errors | Reported on ASSA as LEP Low Income | Reported on Workpapers as LEP Low Income | Errors       | Sample Selected from Workpapers | Verified to Test Score & Register | Sample Errors |
| Half day preschool age 3        | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Full day preschool age 3        | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Half day preschool age 4        | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Full day preschool age 4        | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Half day kindergarten           | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Full day kindergarten           | 32                             | 32                                   | -             | 17                              | 17                                 | -             | 12                                 | 12                                       | -            | 5                               | 5                                 | -             |
| One                             | 31                             | 31                                   | -             | 15                              | 15                                 | -             | 11                                 | 11                                       | -            | 6                               | 6                                 | -             |
| Two                             | 24                             | 24                                   | -             | 12                              | 12                                 | -             | 13                                 | 13                                       | -            | 4                               | 4                                 | -             |
| Three                           | 26                             | 26                                   | -             | 14                              | 14                                 | -             | 9                                  | 9  | -            | 5                               | 5                                 | -             |
| Four                            | 20                             | 20                                   | -             | 10                              | 10                                 | -             | 4                                  | 4  | -            | 2                               | 2                                 | -             |
| Five                            | 21                             | 21                                   | -             | 11                              | 11                                 | -             | 2                                  | 2  | -            | 2                               | 2                                 | -             |
| Six                             | 19                             | 19                                   | -             | 10                              | 10                                 | -             | 3                                  | 3  | -            | 1                               | 1                                 | -             |
| Seven                           | 19                             | 19                                   | -             | 10                              | 10                                 | -             | 6                                  | 6  | -            | 3                               | 3                                 | -             |
| Eight                           | 17                             | 17                                   | -             | 9                               | 9                                  | -             | 3                                  | 3  | -            | 2                               | 2                                 | -             |
| Nine                            | 23                             | 23                                   | -             | 7                               | 7                                  | -             | 8                                  | 8  | -            | 5                               | 5                                 | -             |
| Ten                             | 19                             | 19                                   | -             | 8                               | 8                                  | -             | 7                                  | 7  | -            | 3                               | 3                                 | -             |
| Eleven                          | 13                             | 13                                   | -             | 2                               | 2                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Twelve                          | 14                             | 14                                   | -             | 4                               | 4                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Post-graduate                   | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Adult HS (15+CR)                | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Adult HS (1-14CR)               | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Subtotal                        | <u>278</u>                     | <u>278</u>                           | <u>-</u>      | <u>129</u>                      | <u>129</u>                         | <u>-</u>      | <u>78</u>                          | <u>78</u>                                | <u>-</u>     | <u>38</u>                       | <u>38</u>                         | <u>-</u>      |
| Special education - Elementary  | 47                             | 46                                   | 1             | 15                              | 14                                 | 1             | 1                                  | 1  | -            | 1                               | 1                                 | -             |
| Special education - Middle      | 18                             | 18                                   | -             | 7                               | 7                                  | -             | 2                                  | 2  | -            | 1                               | 1                                 | -             |
| Special education - High school | 14                             | 20                                   | (6)           | 11                              | 11                                 | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Subtotal                        | <u>79</u>                      | <u>84</u>                            | <u>(5)</u>    | <u>33</u>                       | <u>32</u>                          | <u>1</u>      | <u>3</u>                           | <u>3</u>                                 | <u>-</u>     | <u>2</u>                        | <u>2</u>                          | <u>-</u>      |
| County vocational - Regular     | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Cty vocational - F/T post sec.  | -                              | -                                    | -             | -                               | -                                  | -             | -                                  | -  | -            | -                               | -                                 | -             |
| Totals                          | <u>357</u>                     | <u>362</u>                           | <u>(5)</u>    | <u>162</u>                      | <u>161</u>                         | <u>-</u>      | <u>81</u>                          | <u>81</u>                                | <u>-</u>     | <u>40</u>                       | <u>40</u>                         | <u>-</u>      |
| Percentage                      |                                |                                      | <u>-1.40%</u> |                                 |                                    | <u>0.00%</u>  |                                    |  | <u>0.00%</u> |                                 |                                   | <u>0.00%</u>  |

**HACKETTSTOWN SCHOOL DISTRICT**  
**Application for State School Aid Summary (continued)**  
**Enrollment as of October 15, 2015**

Schedule of Audited Enrollments

|  | Resident LEP Not Low Income              |  |              | Sample for Verification               |  |                  |
|--|--|--|--------------|---------------------------------------|--|------------------|
|  | Reported on<br>ASSA as Not Low<br>Income | Reported on<br>Workpapers as Not Low<br>Income | Errors       | Sample<br>Selected from<br>Workpapers | Verified to<br>Application<br>& Register | Sample<br>Errors |
|  | Full Day Kindergarten                    | 3  | 3            | -                                     | 2  | 2                |
| Grade 1  | 1  | 1  | -            | -                                     | -  | -                |
| Grade 2  | 4  | 4  | -            | 4                                     | 4  | -                |
| Grade 3  | 1  | 1  | -            | -                                     | -  | -                |
| Grade 5  | 1  | 1  | -            | -                                     | -  | -                |
| Grade 9  | 2  | 2  | -            | -                                     | -  | -                |
| Grade 10   | 1  | 1  | -            | 1                                     | 1  | -                |
| Totals   | <u>13</u>                                | <u>13</u>                                      | <u>-</u>     | <u>7</u>                              | <u>7</u>                                 | <u>-</u>         |
| Percentage   |  |  | <u>0.00%</u> |                                       |  | <u>0.00%</u>     |
| <b>Transportation</b>                                    |  |  |              |                                       |  |                  |
|  | Reported<br>on DRTRS by<br>DOE/County    | Reported<br>on DRTRS<br>by District            | Errors       | Tested                                | Verified                                 | Sample<br>Errors |
| Regular - Public schools                                 | 1  | 1  | -            | 1                                     | 1  | -                |
| Special education - Public schools                       | 12                                       | 12   | -            | 12                                    | 11                                       | 1                |
| Public school - With special needs                       | 24                                       | 24   | -            | 24                                    | 24                                       | -                |
| Private school - Without special needs                   | 2  | 2  | -            | 2                                     | 2  | -                |
| Private school - With special needs                      | 4  | 4  | -            | 4                                     | 4  | -                |
| Out of District Public school -<br>Without special needs | -<br>2                                   | -<br>2   | -<br>-       | -<br>2                                | -<br>2                                   | -<br>-           |
|  | <u>45</u>                                | <u>45</u>                                      | <u>-</u>     | <u>45</u>                             | <u>44</u>                                | <u>1</u>         |
| Percentage   |  |  | <u>0.00%</u> |                                       |  | <u>2.22%</u>     |

**HACKETTSTOWN SCHOOL DISTRICT**  
**Excess Surplus Calculation**

**SECTION 1**

2% Calculation of Excess Surplus

|   |                      |                       |
|---|----------------------|-----------------------|
| 2015 - 2016 Total General Fund Expenditures Per the CAFR, Exhibit C-1 | \$ 31,575,631 (B)    |                       |
| Increased by  |                      |                       |
| Transfer from Capital Outlay to Capital Projects Fund                 | -                    | (B1b)                 |
| Transfer from Capital Reserve to Capital Projects Fund                | 164,673              | (B1c)                 |
| Decreased by  |                      |                       |
| On-Behalf TPAF Pension & Social Security                              | 3,403,670            | (B2a)                 |
| Assets Acquired Under Capital Leases                                  | <u>-</u>             | (B2b)                 |
| Adjusted 2015 - 2016 General Fund Expenditures [(B)+(B1s)-(B2s)]      | <u>\$ 28,336,634</u> | (B3)                  |
| 2% of Adjusted 2015 - 2016 General Fund Expenditures [(B3) Times .02] | \$ 566,733           | (B4)                  |
| Enter Greater of (B4) or \$250,000                                    | 566,733              | (B5)                  |
| Increased by: Allowable Adjustment                                    | <u>3,594</u>         | (K)                   |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]               |                      | <u>\$ 570,327 (M)</u> |

**SECTION 2**

|  |                |                       |
|--|----------------|-----------------------|
| Total General Fund-Fund Balances @ 06/30/2016 (Per CAFR Budgetary Comparison Schedule C-1) | \$ 7,128,350   | (C)                   |
| Decreased by   |                |                       |
| Year-end Encumbrances  | 1,105,495      | (C1)                  |
| Legally Restricted-Designated for Subsequent Year's Expenditures                           | -              | (C2)                  |
| Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures            | 112,408        | (C3)                  |
| Other Restricted Fund Balances   | 5,009,742      | (C4)                  |
| Assigned Fund Balance - Designated for Subsequent Year's Expenditures                      | <u>222,176</u> | (C5)                  |
| Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]                  |                | <u>\$ 678,529 (U)</u> |



**HACKETTSTOWN SCHOOL DISTRICT**  
**Excess Surplus Calculation (continued)**

**SECTION 3**

|   |                       |
|---|-----------------------|
| Restricted Fund Balance-Excess Surplus [(U)-(M)] if Negative Enter -0-  | <u>\$ 108,202 (E)</u> |
| <u>Recapitulation of Excess Surplus as of June 30, 2016</u>             |                       |
| Restricted Excess Surplus-Designated for Subsequent Year's Expenditures | \$ 112,408 (C3)       |
| Restricted Excess Surplus   | <u>108,202 (E)</u>    |
| Total [(C3) + (E)]  | <u>\$ 220,610 (D)</u> |

Detail of Allowable Adjustments

|   |                     |
|---|---------------------|
| Impact Aid                              | \$ - (H)            |
| Sale and Lease Back                     | - (I)               |
| Extraordinary Aid                       | 3,594 (J1)          |
| Additional Nonpublic Transportation Aid | <u>- (J2)</u>       |
| Total Adjustments                       | <u>\$ 3,594 (K)</u> |

Detail of Other Restricted Fund Balance

|   |                          |
|---|--------------------------|
| Approved Unspent Separate Proposal      | \$ -                     |
| Unspent Capital Outlay SGLA             | -                        |
| Sale/Lease-Back Reserve                 | -                        |
| Capital Reserve                         | 3,776,742                |
| Maintenance Reserve                     | 533,000                  |
| Emergency Reserve                       | 200,000                  |
| Tuition Reserve                         | 500,000                  |
| Other State/Government Mandated Reserve | <u>-</u>                 |
| Total Other Restricted Fund Balance     | <u>\$ 5,009,742 (C4)</u> |

*Bedard, Kurowicki & Co.*

**BEDARD, KUROWICKI & CO., CPA'S, PC**

*William Colantano*

**William M. Colantano, Jr., CPA, RMA**

**HACKETTSTOWN SCHOOL DISTRICT**

**June 30, 2016**

Suggestions to Management

1. The use of undedicated balances in the Student Activity Funds for instructional equipment should be approved by the Board of Education prior to the purchase.
2. The District should make continuing effort to reduce the net cash resources of the District's Food Service Fund to an acceptable level as per State regulations.

Recommendations

# 2016-1 The District should review their procedures for the completion of the Extraordinary Aid application to ensure that all applicable eligible costs are being reported

# 2016-2 Procedures should be implemented to ensure that the NCLB Title I federal grant is not reimbursed for more than the amount expended.

# 2016-3 Continuing effort should be made to ensure that payroll withholding balances are accurately maintained and monitored on a monthly basis.

# 2016-4 The District should implement procedures to ensure that the verification of payroll check distribution procedure is performed within the required 3-year time frame.

Status of Prior Year's Audit Findings/Recommendations

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year recommendations.

\* \* \* \* \*

The foregoing conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our examination of the financial statements, and this report of such conditions does not modify our report dated November 16, 2016.

Should any questions arise as to our comments, please do not hesitate to call us.

We desire to express our appreciation for the assistance and courtesies rendered by the school officials and employees during the course of the examination.

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**

*William Colantano*  
William M. Colantano, Jr.  
Public School Accountant  
No. CS 0128