

Auditor's Management Report

for the

*Hamilton Township
School District*

in the

*County of Mercer
New Jersey*

for the

*Fiscal Year Ended
June 30, 2016*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS FINANCIAL AND COMPLIANCE**

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Tax ID Number 21-6000323



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Hamilton Township School District
County of Mercer
Hamilton, New Jersey 08527

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Township of Hamilton School District in the County of Mercer for the year ended June 30, 2016, and have issued our report dated November 30, 2016.

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

This report is intended solely for the information of the Township of Hamilton School District, County of Mercer, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS


PUBLIC SCHOOL ACCOUNTANT NO. 948

November 30, 2016

Independent Auditor's Management Report of Administrative Findings Financial and Compliance

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 Hamilton Township School District Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed in the District's CAFR. (See Exhibit J-20)

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BOND</u>
Thomas Venanzi	Treasurer of School Monies	\$750,000.00
Katherine Attwood	Board Secretary/ School Business Administrator	\$750,000.00

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

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Accounts

The net salaries of all employees of the Board were deposited in the Net 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/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2016 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 selecting a test sample our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23 A-2.4 As a result of the procedures performed, no exceptions were noted.

Board Secretary's Records

The records maintained by the Board Secretary were in satisfactory condition.

2016-1 Finding: Under the terms of the District's various labor agreements, employees are permitted to waive health and/or prescription insurance. Our audit revealed that one employee was permitted to obtain a "partial" waiver of coverage with the employee still receiving a lower level of coverage than they were eligible for. "Partial" waivers are not addressed in the labor agreements nor are they specifically permitted under State Statute.

2016-1 Recommendation: That Health Benefit waivers be made in accordance with the District's various labor contracts

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition.

Elementary and Secondary Education Act of 1965 (E.S.E.A.) / Improving America's Schools (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 the projects under Title I, Title II Part A, and Title III of the Elementary and Secondary Education Act.

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.

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement. No exceptions were noted.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 30A:30A-1, et seq. 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 \$29,000, 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 therefor, 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 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 \$40,000.00. 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.

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 or 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.A. 30A:30A-2 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 of every fifth year. The adjustment shall become effective on July 1 of every 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.A. 30A:30A-5 may be awarded for a period not exceeding 12 consecutive months."

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids (Continued)

N.J.S.A.18A:18A-4 states, "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 therefor, except as is provided otherwise in this chapter or specifically by any other law."

The board of education may, by resolution approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 30A:30A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A: 39-3 is currently \$18,800.00.

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

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

School Food Service Funds

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.

Cash receipts and bank records were reviewed for timely deposit.

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 properly computed and timely filed. Meals claimed agreed with the meal count records tested.

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 priced 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.

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 District is depositing and expending program monies in accordance with N.J.S.A. 30A: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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Service employees. No exceptions were noted.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The school district maintains the detailed revenue and expenditure Information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

**Independent Auditor's Management Report of Administrative
Findings Financial and Compliance**

Student Body Activities

The records for the Student Body Activities were maintained in satisfactory condition.

2016-2 Finding: Per District policy, funds collected for Student Activities are to be supported by written receipts and deposited within 24 hours. In FY2016 the District implemented new procedures to document the receipts of funds however in many cases we were unable to determine the actual date of receipt.

We also noted one disbursement from a Student Activity account that was made by electronic wire transfer for the purchase of prepaid check cards to be used to pay for travel expenses for a school trip. Per District policy, disbursements are to be made only by check.

2016-2 Recommendation: That Student Activity account transactions and documentation be made in accordance with District policy.

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 with minor exceptions. 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.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for onroll, private schools for the disabled, and low income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified with no exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

Follow Up on Prior Year's Audit Findings

Corrective Action was taken on all prior year findings.

Independent Auditor's Management Report of Administrative Findings Financial and Compliance

RECOMMENDATIONS

Administrative Practices and Procedures

2016-1 Recommendation: That Health Benefit waivers be made in accordance with the District's various labor contracts.

Financial Planning, Accounting and Reporting

None

School Purchasing Program

None

School Food Service

None

Student Body Activities

2016-02 Recommendation: That Student Activity account transactions and documentation be made in accordance with District policy.

Application for State School Aid

None

Pupil Transportation

None

Capital Assets and Facilities

None

**HAMILTON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	2016-17 Application for State School Aid (10/15/15 data)						Sample for Verification						Private School for Disabled												
	Reported as on Roll			Reported on Workpapers on Roll			Errors			Sample Workpapers			Verified per Registers on Roll			Errors per Registers on Roll			A.S.S.A. as Reported on Private Schools			Sample for Verification			
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		
Half Day PreK-3 year old	16			16			1					1													
Half Day PreK-4 year old	98			98			3					3													
Full Day PreK-3 year old																									
Full Day PreK-4 year old	5			5																					
Half Day K																									
Full Day K	759			759			19					19													
One	799			799			21					21													
Two	740			740			18					18													
Three	675			675			19					19													
Four	704			704			17					17													
Five	693			693			19					19													
Six	722			722			21					21													
Seven	776			776			21					21													
Eight	736			736			20					20													
Nine	803			803			22					22													
Ten	804	2		804	2		20				1	20													
Eleven	752	85		752	85		19				3	19													
Twelve	660	86		660	86		18				3	18													
Post-Graduate																									
Adult H.S. (15+ CR.)	18			18			2				2														
Adult H.S. (1-14 CR.)																									
Subtotal	9,742	191		9,742	191		258	9		9	258	9			0	0	0	0	0	0	0	0	0	0	0
Sp. Ed. - Elementary	621			621			19				19											9.0	7.0	7.0	0
Sp. Ed. - Middle School	443			443			13				13											13.0	9.0	9.0	0
Sp. Ed. - High School	560	114		560	114		16	3		3	16	3			0	0	0	0	0	0	39.0	30.0	30.0	0	
Subtotal	1,624	114		1,624	114		48	3		3	48	3			0	0	0	0	0	0	61.0	46.0	46.0	0	

Co. Voc. - Regular																									
Co. Voc. Ft. Post Sec.																									
Totals	11,366	305		11,366	305		306	12		12	306	12			0	0	0	0	0	0	61.0	46.0	46.0	0	
Percentage Error							0%	0%		0%	0%	0%			0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

**HAMILTON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day PreK-3 year old	290	290	-	20.00	20.00	-	38	38	-	21	21	-
Half Day PreK-4 year old	342	342	-	20.00	20.00	-	35	35	-	20	20	-
Full Day PreK-3 year old	319	319	-	20.00	20.00	-	12	12	-	6	6	-
Full Day PreK-4 year old	289	289	-	20.00	20.00	-	14	14	-	9	9	-
Half Day K	271	271	-	20.00	20.00	-	8	8	-	5	5	-
Full Day K	280	280	-	20.00	20.00	-	6	6	-	3	3	-
One	293	293	-	20.00	20.00	-	10	10	-	6	6	-
Two	291	291	-	20.00	20.00	-	15	15	-	8	8	-
Three	246	246	-	20.00	20.00	-	11	11	-	7	7	-
Four	314	314	-	20.00	20.00	-	15	15	-	9	9	-
Five	301.5	301.5	-	20.00	20.00	-	21	21	-	12	12	-
Six	281	281	-	20.00	20.00	-	13	13	-	7	7	-
Seven	231	231	-	20.00	20.00	-	6	6	-	3	3	-
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	3748.5	3748.5	-	260	260	0	204	204	0	116	116	0
Special Ed - Elementary	315	315	-	15	15	-	6	6	0	4	4	0
Special Ed - Middle	265	265	-	15	15	-	4	4	0	2	2	0
Special Ed - High	316	316	-	13	13	0	2	2	0	1	1	0
Subtotal	896	896	0	43	43	0	12	12	0	7	7	0
Co. Voc. - Regular	1	1	-						0			
Co. Voc. Ft. Post Sec.												
Totals	4645.5	4645.5	0	303	303	0	216.0	216	0	123	123	0
Percentage Error			0%			0%			0%			0%

Transportation

	Reported on DRTS by DOE/county		Reported on DRTS by District		Errors	
	Tested	Verified	Tested	Verified	Errors	Errors
Reg. - Public Schools, col. 2, 3, 4, 5	2709	2709	202	202	-	-
Reg -Sp Ed, col. 8, 9, 10	635.5	635.5	47	47	-	-
Nonpublic Transport, col. 6	619	619	46	46	-	-
Special Ed Spec, col. 1,2,3,6,7,8	511.5	511.5	38	38	-	-
Totals	4475	4475	333	333	-	-
Percentage Error			0%		0%	

Avg. Mileage - Regular Including Grade PK students
Avg. Mileage - Regular Excluding Grade PK students
Avg. Mileage - Special Ed with Special Needs

Reported
4.4
4.4
7.4

Re-Calculated
NR
NR
NR

HAMILTON TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day PreK-4 year old	13	13	0	11	11	0
Full Day PreK-3 year old	6	6	0	5	5	0
Full Day PreK-4 year old	8	8	0	7	7	0
Half Day K	3	3	0	3	3	0
Full Day K	2	2	0	2	2	0
One	4	4	0	2	2	0
Two	2	2	0	2	2	0
Three	1	1	0	1	1	0
Four	2	2	0	2	2	0
Five	4	4	0	3	3	0
Six	5	5	0	5	5	0
Seven	2	2	0	2	2	0
Eight	1	1	0	1	1	0
Nine	2	2	0	2	2	0
Ten	4	4	0	3	3	0
Eleven	5	5	0	5	5	0
Twelve	2	2	0	2	2	0
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	52	52	0	45	45	0
Special Ed - Elementary	2	2	0	1	1	0
Special Ed - Middle						
Special Ed - High						
Subtotal	2	2	0	1	1	0
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	54	54	0	46	46	0
Percentage Error			0%			0%

EXCESS SURPLUS CALCULATION

SECTION 1

General Fund Expenditures:		
Fiscal Year Ended June 30, 2016		\$198,554,999
Increased by:		
Transfer from Capital Outlay to Capital Projects		198,554,999
Less On-Behalf TPAF Pension and Social Security	\$18,869,516	<u>18,869,516</u>
Adjusted General Fund Expenditures		179,685,483
Excess Surplus Percentage		<u>2.00%</u>
Subtotal		3,593,710
Increased by:		
Extraordinary Aid (Unbudgeted)	583,107	
Non-Public Transportation Aid (Unbudgeted)	<u>47,496</u>	
		<u>630,603</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>\$4,224,313</u></u>

SECTION 2

Total General Fund Balance		\$27,046,328
Decreased by:		
Non-Spendable Inventory	264,171	
Year End Encumbrances	7,574,411	
Legally Restricted:		
Excess Surplus - Designated for Subsequent Year's Expenditures	2,478,571	
Maintenance Reserve	373,614	
Capital Reserve	4,018,594	
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>5,092,222</u>	
		<u>19,801,583</u>
Total Unassigned Fund Balance		<u>7,244,745</u>
Reserved Fund Balance-Excess Surplus		<u><u>\$3,020,432</u></u>

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2016		
Reserved Excess Surplus-Designated for Subsequent Years Expenditures		2,478,571
Reserved Excess Surplus		<u>3,020,432</u>
Total		<u><u>5,499,003</u></u>

