

Lawrence Township Board of Education

Auditor's Management Report

County of Mercer

June 30, 2016

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

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

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Robert A. Hulsart and Company

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1.

REPORT OF INDEPENDENT AUDITORS

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

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards, issued by the comptroller General of the United States, the general-purpose financial statements of the Board of Education of the Lawrence Township School District in the County of Mercer, for the year ended June 30, 2016, and have issued our report thereon dated December 1, 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 Lawrence Township Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Licensed Public School Accountant
No. 322
ROBERT A. HULSART AND COMPANY

December 1, 2016

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20; Insurance Schedule contained in the district's CAFR.

Officials Bond (N.J.S.A. 18A:17-26.18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Thomas Eldridge	Board Secretary/School Business Administrator	\$ 375,000
Richard S. Krawczun	Treasurer	375,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

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

Salary withholdings were promptly remitted to the proper agencies.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-2.4*. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

Treasurer's Records

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

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

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

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

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects. The study of compliance for the special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 N.J.S. 18A:18A-3 was amended to read as follows:

- a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$40,000 the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971, c.198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$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.

Thomas Eldridge has been designated Certified Purchasing Officer by the Board of Education with the bid threshold at \$40,000.

Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. N.J.S. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months.

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

- a. Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law.

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. for Transportation Contracts 18A:39-3 is \$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.

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.

School Food Service Fund

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

The food services for 2015-16 were awarded to Maschios Food Services Inc. on their proposal of a guaranteed return of \$105,000 to the district, which has been met. This amount returned was used for payroll purposes.

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

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

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

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

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

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Maschios Food Services Inc.'s inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursement records reflected expenditures for program related goods and services. Districts with food service management companies are depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

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

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

Student Activity Accounts/Board Accounts

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

Pupil Transportation

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Application for State School Aid

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

Follow-up on Prior Years' Findings

There were no prior year audit findings.

Acknowledgment

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

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures Per the CAFR	\$ 72,818,704
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(7,149,242)</u>
Adjusted 2015-16 General Fund Expenditures	<u>\$ 65,669,462</u>
2% of Adjusted 2015-16 General Fund Expenditures	\$ 1,313,389
Increased by: Allowable Adjustment	<u>372,309</u>
Maximum Unassigned Fund Balance	<u>\$ 1,685,698</u>

Section 2

Total General Fund – Fund Balance @ 6-30-16 \$ 10,712,226

Decreased by:	
Reserved for Encumbrances	(3,190,880)
Designated for Subsequent Year's Expenditures – Excess Surplus	(181,055)
Designated for Subsequent Year's Expenditures – BOE	(2,668,944)
Designated for Subsequent Year's Expenditures – Capital Reserve	(458,000)
Other Reserves	<u>(2,598,340)</u>
Total Unassigned Fund Balance	<u>\$ 1,615,007</u>
Excess Surplus	<u>\$ 0</u>

Section 3

Excess Surplus – Current Year	\$
Designated for Subsequent Years Expenditures – Excess Surplus	<u>181,055</u>
	<u>\$ 181,055</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 305,897
Non-Public Transportation Aid	<u>66,412</u>
	<u>\$ 372,309</u>

Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 266,924
Emergency Reserve	200,000
Capital Reserve	<u>2,131,416</u>
Total Other Restricted Fund Balance	<u>\$ 2,598,340</u>

LAWRENCE SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

Sheet 1 of 3

ENROLLMENT AS OF OCTOBER 15, 2015

	2016-17 Application for State School Aid						Sample for Verification						Private Schools for Handicapped			
	Reported On		Reported on		Errors		Sample Selected		Verified Per		Errors Per Registers		Reported On	Sample for	Sample	Sample
	A.S.S.A. on Roll		Workpapers on Roll				from Workpapers		Registers on Roll		on Roll		A.S.S.A. as	Verification	Verified	Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools			
Full Day Preschool - 3 years	8		8				8		8							
Half Day Preschool - 4 years																
Full Day Preschool - 4 years	37		37				37		37							
Full Day Kindergarten	272		272				272		272							
One	260		260				260		260							
Two	276		276				276		276							
Three	287		287				287		287							
Four	268		268				268		268							
Five	250		250				250		250							
Six	277		277				277		277							
Seven	258		258				258		258							
Eight	258		258				258		258							
Nine	220		220				220		220							
Ten	269		269				269		269							
Eleven	218	7	218	7			218		218		7					
Twelve	221	12	221	12			221	12	221	12						
Subtotal	<u>3379</u>	<u>19</u>	<u>3379</u>	<u>19</u>	-	-	<u>3379</u>	<u>19</u>	<u>3379</u>	<u>19</u>	-	-	-	-	-	-
Special Ed. - Elementary	233		233				233		233			3	3	3		
Special Ed. - Middle School	114		114				114		114			10	10	10		
Special Ed. - High School	175	23	175	23			175	23	175	23		13	13	13		
Subtotal	<u>522</u>	<u>23</u>	<u>522</u>	<u>23</u>	-	-	<u>522</u>	<u>23</u>	<u>522</u>	<u>23</u>	-	-	<u>26</u>	<u>26</u>	<u>26</u>	-
Co. Voc. - Regular																
Co. Voc. - Ft. Post Sec.																
Totals	<u>3901</u>	<u>42</u>	<u>3901</u>	<u>42</u>	-	-	<u>3901</u>	<u>42</u>	<u>3901</u>	<u>42</u>	-	-	<u>26</u>	<u>26</u>	<u>26</u>	-
Percentage Error					<u>0%</u>	<u>0%</u>					<u>0%</u>	<u>0%</u>				<u>0%</u>

LAWRENCE SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	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
Preschool												
Full Day Kindergarten	59	59		14	14		8	8		6	6	
One	52	52		20	20		6	6		5	5	
Two	66	66		22	22		17	17		8	8	
Three	54	54		15	15		6	6		5	5	
Four	64	64		17	17		3	3		3	3	
Five	61	61		18	18		1	1		1	1	
Six	58	58		14	14		2	2		2	2	
Seven	51	51		12	12		2	2		2	2	
Eight	50	50		9	9		1	1		1	1	
Nine	49	49		13	13		4	4		2	2	
Ten	64	64		10	10		1	1		1	1	
Eleven	30.5	30.5		8	8							
Twelve	44	44		11	11		3	3		1	1	
Subtotal	702.5	702.5	-	183	183	-	54	54	-	37	37	-
Special Ed. - Elementary	77	77		25	25		2	2		1	1	
Special Ed. - Middle School	47	47		15	15							
Special Ed. - High School	36.5	36.5		9	9							
Subtotal	160.5	160.5	-	49	49	-	2	2	-	1	1	-
Totals	863	863	-	232	232	-	56	56	-	38	38	-
Percentage Error			0.0%			0.0%			0.0%			0.0%

TRANSPORTATION

	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors	Reported	Recalculated
	Reg. - Public Schools	1,620.5	1,620.5		272	272		4.3
Transported - Non-Public	330.0	330.0		165	165		4.3	4.3
Special Education - Regular	162.0	162.0		101	101		4.9	4.9
Special Educ. - Special Needs	173.5	173.5		108	108			
Totals	2,286.0	2,286	-	646	646	-		
Percentage Error			0%			0%		

LAWRENCE SCHOOL DISTRICT

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as LEP Not Low Income</u>	<u>Reported on Workpapers as LEP Not Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Preschool						
Full Day Kindergarten	16	16		4	4	
One	10	10		5	5	
Two	6	6		6	6	
Three	2	2		1	1	
Four	2	2		2	2	
Five	1	1		1	1	
Six	6	6		4	4	
Seven	2	2		2	2	
Eight	1	1		1	1	
Nine	2	2		1	1	
Ten	3	3		3	3	
Eleven	3	3		1	1	
Twelve	4	4		2	2	
Subtotal	<u>58</u>	<u>58</u>	<u>-</u>	<u>33</u>	<u>33</u>	<u>-</u>
Special Ed. - Elementary						
Special Ed. - Middle School						
Special Ed.- High School						
Subtotal	<u>0</u>	<u>0</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>-</u>
County Vocational - Regular						
Totals	<u>58</u>	<u>58</u>	<u>-</u>	<u>33</u>	<u>33</u>	<u>-</u>
Percentage Error			<u>0.0%</u>			<u>0.0%</u>

SCHEDULE OF MEAL COUNT ACTIVITY

LAWRENCE SCHOOL DISTRICT

FOOD SERVICE FUND

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

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)*	Paid	175,405	52,761	52,761	-	\$ 0.33	-
	Reduced	32,279	9,414	9,414	-	2.725	-
	Free	<u>93,257</u>	<u>28,113</u>	<u>28,113</u>	<u>-</u>	3.125	<u>-</u>
Total Net Overclaim		<u>300,941</u>	<u>90,288</u>	<u>90,288</u>	<u>-</u>		<u>-</u>
School Breakfast Program (Regular Rate)	Paid	865	211	211	-	\$ 0.29	-
	Reduced	723	206	206	-	1.36	-
	Free	<u>4,616</u>	<u>1,222</u>	<u>1,222</u>	<u>-</u>	1.66	<u>-</u>
Total Net Overclaim		<u>6,204</u>	<u>1,639</u>	<u>1,639</u>	<u>-</u>		<u>-</u>
School Breakfast Program (Severe Needs Rate)	Paid	3,694	1,062	1,062	-	\$ 0.29	-
	Reduced	1,502	311	311	-	1.69	-
	Free	<u>10,663</u>	<u>2,724</u>	<u>2,724</u>	<u>-</u>	1.99	<u>-</u>
Total Net Overclaim		<u>15,859</u>	<u>4,097</u>	<u>4,097</u>	<u>-</u>		<u>-</u>

* = For HHFKA Lunches - \$.06

LAWRENCE TOWNSHIP SCHOOL DISTRICTNET CASH RESOURCE SCHEDULENET CASH RESOURCES DID NOT EXCEED 3 MONTHS OF EXPENDITURESPROPRIETARY FUNDS - FOOD SERVICEFOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Net Cash Resources:</u>		<u>Food Service</u> <u>G - 1/2</u>
CAFR	Current Assets	
G-1	Cash & Cash Equivalents	\$ 191,789
G-1	Accounts Receivables	34,180
	Current Liabilities	
G-1	Less Accounts Payable	<u>(73,423)</u>
	Net Cash Resources	<u>\$ 152,546 (A)</u>
 <u>Net Adjustment Total Operating Expense:</u>		
G-2	Total Operating Expenses	1,523,344
G-2	Less Depreciation	<u>(32,910)</u>
	Adjusted Total Operating Expenses	<u>1,490,434 (B)</u>
 <u>Average Monthly Operating Expense:</u>		
	B / 10	<u>\$ 149,043 (C)</u>
 <u>Three Times Monthly Average</u>		
	3 X C	<u>\$ 447,130</u>
Total in (A)		\$ 152,546
Less Total in (D)		<u>(447,130)</u>
Net		<u>\$ (294,584)</u>