



**AREA VOCATIONAL-TECHNICAL SCHOOLS
OF MERCER COUNTY SCHOOL DISTRICT**

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

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditors' Report.....	1
Scope of Audit.....	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds.....	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims.....	2
Payroll Account and Position Control Roster.....	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
• General Classifications	
• Administrative Classifications	
Board Secretary's Records	4
Treasurer's Records	4
Elementary and Secondary Education Act (ESEA)/Improving America's Schools	
Act (IASA) as reauthorized by the No Child Left Behind Act of 2001	4
Other Special Federal and/or State Projects.....	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5
School Food Service	N/A
Student Body Activities.....	5
Application for State School Aid	5
Pupil Transportation.....	N/A
Facilities and Capital Assets.....	5
Miscellaneous.....	N/A
Follow-up on Prior Year Findings	6
Acknowledgment	6
Schedule of Meal Count Activity (not applicable)	N/A
Net Cash Resource Schedule (not applicable)	N/A
Schedule of Audited Enrollments	7
Excess Surplus Calculation	10

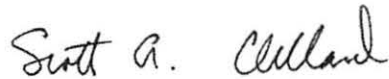
INDEPENDENT AUDITORS' REPORT

Honorable President and Members
of the Board of Education
Area Vocational-Technical Schools
of Mercer County School District
County of Mercer
Hamilton, New Jersey 08690

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Area Vocational-Technical Schools of Mercer County School District in the County of Mercer for the year ended June 30, 2016, and have issued our report thereon dated November 14, 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 Area Vocational-Technical Schools of Mercer County School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

November 14, 2016
Livingston, New Jersey

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Insurance coverage was carried in the amounts as detailed on J-20, Insurance Schedule contained in the District’s CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Tanya Dawson	School Business Administration/Board Secretary	\$ 190,000
Thomas Venanzi	Treasurer of School Moneys	\$ 215,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were greater than or less than estimated costs.

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 District 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/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

A review of the Position Control Roster found it to be consistent with payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports) and the general ledger accounts to where wages are posted (administrative versus instruction).

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 and no exceptions were identified. However, the following were identified:

Finding 2016-001

Finding:

During our internal control testing over cash disbursements, we identified one exception where the expenditure was not encumbered prior to the receipt of goods.

Recommendation:

We suggest the District ensure all expenditures are properly encumbered prior to the receipt of goods or services and that the purchase order is certified as to the availability of funds before the purchase is made.

Travel

Finding 2016-002

Finding:

The District did not obtain prior approval by the Board for one board members travel in accordance with the adopted Travel Policy.

Recommendation:

We suggest the District follow the adopted Travel Policy and ensure all prior approvals are obtained.

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-8.3. As a result of the procedures performed, a transaction error rate of 0% overall 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 did not disclose any exceptions.

Treasurer's Records

No exceptions were noted during our review of the financial and accounting records maintained by the Treasurer.

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

The ESEA/NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary School Education Act as amended and reauthorized.

A federal Single Audit under the Uniform Guidance was not applicable during the 2016 fiscal year as federal expenditures did not exceed \$750,000.

Other Special Federal and/or State Projects

The District's special projects were approved as listed on Schedules A (K-3) and B (K-4) 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 instances of noncompliance that are required to be reported in accordance with the State of New Jersey OMB Circular 15-08.

A federal Single Audit under the Uniform Guidance was not applicable during the 2016 fiscal year as federal expenditures did not exceed \$750,000.

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.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The school district was not required to reimburse the state for the TPAF/FICA payments made by the State on behalf of the school district as no employees' salaries were identified as being paid from federal funds.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is 18,800 for 2015-16.

The District 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.

The results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of *N.J.S.A.* 18A:18A-4, amended.

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

Student Body Activities

During our review of the student activity funds, 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 on-roll, private schools for the handicapped, low-income and bilingual. 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 with minor exceptions as presented in the Schedule of Audited Enrollments. The information that was included on the workpapers was verified with minor exceptions as presented in the Schedule of Audited Enrollments. 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 written procedures appear to be adequate for the recording of student enrollment data.

Facilities and Capital Assets

Our procedures included a review of the New Jersey Schools Development Authority ("NJSDA") grant agreements for consistency with recording NJSDA revenue, transfer of local funds from the general fund

or from the capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted in our review of NJSDA expenditures.

Follow-up on Prior Year’s Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations including findings, where applicable. The District did not have any prior year findings.

There was an Office of Fiscal Accountability and Compliance (OFAC) report filed on August 1, 2016. We have reviewed any findings contained in the current year audit reports issued by the OFAC. Corrective action had been taken on all findings in the report dated August 1, 2016.

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.

SCHEDULE OF AUDITED ENROLLMENTS

AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Veri- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
One	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Two	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Three	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Four	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Five	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Six	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nine	6	-	6	-	-	-	-	-	-	-	-	-	-	-	-	-
Ten	21	-	21	-	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	31	3	31	3	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	8	1	5	1	3	-	-	-	-	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14 CR.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	66	4	63	4	3	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - High School	9	340	3	348	6	(8)	-	340	-	347	-	(7)	-	-	-	-
Special Ed - Alt Voc High	36	-	39	-	(3.0)	-	-	-	-	-	-	-	-	-	-	-
Subtotal	45	340	42	348	3	(8)	-	340	-	347	-	(7)	-	-	-	-
Co. Voc. - Regular	128	403	127	404	1	(1)	99	127.0	127	-	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	18	33	19	31	(1.0)	2	30	-	-	-	-	-	-	-	-	-
Totals	257	780	251	787	6	(7)	129	467	127	347	-	(7)	-	-	-	-
Percentage Error					2.33%	-0.90%					0.00%	-1.50%				0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	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 Preschool	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
One	-	-	-	-	-	-	-	-	-	-	-	-
Two	-	-	-	-	-	-	-	-	-	-	-	-
Three	-	-	-	-	-	-	-	-	-	-	-	-
Four	-	-	-	-	-	-	-	-	-	-	-	-
Five	-	-	-	-	-	-	-	-	-	-	-	-
Six	-	-	-	-	-	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-
Nine	5	5	-	16	16	-	-	-	-	-	-	-
Ten	14	14	-	6	6	-	-	-	-	-	-	-
Eleven	21	22	(1)	2	2	-	-	-	-	-	-	-
Twelve	7	5	2	-	-	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14 CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	47	45	2	24	24	-	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - High	78.0	81.0	(3.0)	7.0	7.0	-	-	-	-	-	-	-
Special Ed - Alt Voc High	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	78.0	81.0	(3.0)	7.0	7.0	-	-	-	-	-	-	-
Co. Voc. - Regular	97.0	95.5	1.5	95.0	94.0	1	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-
Totals	221.5	221.5	-	126.0	125.0	1	-	-	-	-	-	-
Percentage Error			0.00%			0.79%			0.00%			0.00%

Transportation

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1						
Reg -SpEd, col. 4						
Transported - Non-Public, col. 3						
Special Ed Spec, col. 6						
Totals	-	-	-	-	-	-
Percentage Error						0.00%

NOT APPLICABLE

Reg Avg (Mileage) = Regular Including Grade PK students (Part A)	Reported	Recalculated
Reg Avg (Mileage) = Regular Excluding Grade PK students (Part B)	NOT APPLICABLE	
Spec Avg. = Special Ed with Special Needs		

AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY

SCHEDULE OF AUDITED ENROLLMENTS

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 NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool	-	-	-	-	-	-
Half Day Kindegarten	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-
One	-	-	-	-	-	-
Two	-	-	-	-	-	-
Three	-	-	-	-	-	-
Four	-	-	-	-	-	-
Five	-	-	-	-	-	-
Six	-	-	-	-	-	-
Seven	-	-	-	-	-	-
Eight	-	-	-	-	-	-
Nine	-	-	-	-	-	-
Ten	-	-	-	-	-	-
Eleven	-	-	-	-	-	-
Twelve	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-
Adult H.S. (1-14 CR.)	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Co. Voc. - Regular	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2016

SECTION 1

A. 6% Calculation of Excess Surplus (2014-15 expenditures of \$100 million or less)

2015-16 Total General Fund Expenditures per CAFR, Ex. C-1	\$ 12,301,760 (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ - (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ 1,337,394 (B1b)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 842,742 (B2a)
Assets Acquired Under Capital Leases	\$ - (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 12,796,412 (B3)
6% of Adjusted 2015-16 General Fund Expenditures [(B3) times .06]	\$ 767,785 (B4)
Enter Greater of (B4) or \$250,000	\$ 767,785 (B5)
Increased by: Allowable Adjustment*	\$ - (K)
Maximum Unassigned/Unreserved-Undesignated Fund Balance [(B5)+(K)]	\$ 767,785 (M)

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid, Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), Extraordinary Aid, Additional Nonpublic School Aid and Transportation Aid; and School Bus Advertising Revenue Recognized during the current year. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

SECTION 2

Total General Fund - Fund Balances @ 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 3,630,718 (C)
Decreased by:	
Year End Encumbrances	\$ 7,142 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ - (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ 284,096 (C3)
Other Restricted Fund Balances****	\$ 1,291,600 (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ - (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 2,047,880 (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus ***[(U1)-(M)] IF NEGATIVE ENTER-0-	\$ 1,280,095 (E)
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AREA VOCATIONAL-TECHNICAL SCHOOLS OF MERCER COUNTY SCHOOL DISTRICT

EXCESS SURPLUS CALCULATION

JUNE 30, 2016

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ 284,096	(C3)
Reserve Excess Surplus *** [(E)]	\$ 1,280,095	(E)
 Total Excess Surplus [(C3) + (E)]	 \$ 1,564,191	 (D)

Detail of Allowable Adjustments

Impact Aid	\$ -	(H)
Sale & Lease-back	\$ -	(I)
Extraordinary Aid	\$ -	(J1)
Additional Nonpublic School Transportation Aid	\$ -	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ -	(J3)
Family Crisis Transportation Aid	\$ -	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ -	(K)

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

*** Amount must agree to the June 30, 2016 CAFR and Audit Summary Worksheet Line 90030.

Detail of Other Restricted Fund Balances

Statutory restrictions:		
Approved unspent separate proposal	\$ -	
Sale/lease-back reserve	\$ -	
Capital reserve	\$ 1,291,600	
Maintenance reserve	\$ -	
Emergency reserve	\$ -	
Tuition reserve	\$ -	
School Bus Advertising 50% Fuel Offset reserve- current year	\$ -	
School Bus Advertising 50% Fuel Offset reserve- prior year	\$ -	
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ -	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ -	
Other state/government mandated reserves	\$ -	
Other Restricted Fund Balance not noted above ****	\$ -	
Total Other Restricted Fund Balance	\$ 1,291,600	(C4)

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