

HACKETTSTOWN SCHOOL DISTRICT
COUNTY OF WARREN
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

HACKETTSTOWN SCHOOL DISTRICT
COUNTY OF WARREN
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COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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November 1, 2017

The 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 financial statements of the Board of Education of the Hackettstown School District in the County of Sussex for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 1, 2017.

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 letter does not affect our report dated November 1, 2017, on the financial statements of the Board.

We will review the status of the comments, if any, during our next audit engagement. We have already discussed any comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the information of the Hackettstown 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.

NISIVOCCIA LLP

Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer, 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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Gail Woickowski	Business Administrator	\$ 250,000

Tuition Charges

A comparison of tuition tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change 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 on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

The net salaries of 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 tested were approved by the Superintendent and certified by the President of the Board, the School Business Administrator, and the Superintendent.

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

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent, and business administrator) to the NJ Department of Treasury was filed in a timely manner.

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Year-End Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as year-end encumbrances and accounts payable.

Classification of General and Administrative 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. Overall compliance was noted.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

No Child Left Behind (N.C.L.B.)

The N.C.L.B. financial exhibits are contained within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title II and Title III of the No Child Left Behind Consolidated Grant.

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.

Findings:

During our review of the costs reported in the Extraordinary Aid application, it was noted that certain in-District student costs reported were not supported by the District's accounting records and related application documentation. Also, during our review of the SEMI Medicaid program, it was noted that the District did not reach the required 90% parental consent threshold.

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Other Special Federal and/or State Projects (Cont'd)

Recommendations

It is recommended that:

1. The District ensure that the in-District costs reported on the Extraordinary Aid application are supported by the District's accounting records and related application documentation.
2. The District reach the required 90% parental consent threshold for the SEMI Medicaid Program.

Management's Response

The District will make every effort to ensure that the in-District costs reported on the Extraordinary Aid application are supported by the District's accounting records and related application documentation. The District will ensure that the required 90% parental consent threshold for the SEMI Medicaid Program is met in the future.

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 T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2017. The reimbursement form was reviewed, and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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

a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, 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. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by 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. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

School Purchasing Programs (Cont'd)

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

adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

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 therefore, except as is provided otherwise in this chapter or specifically by any other law"

Effective July 1, 2015, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:39A-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 currently \$18,800.

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

School Food Service

The school food service program was not selected as a major federal and/or state program. We inquired of school management, or the appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Non-program foods were purchased, prepared or offered for sale. The Statement of Revenue, Expenses and Changes in Net Position in the CAFR Schedule B-5 does separate program and non-program revenue and program and non-program cost of goods sold.

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

School Food Service (Cont'd)

Finding

Net cash resources of the Food Service Fund exceeded three months average expenditures by approximately \$50,000. However, since the District already has plans to address the excess in fiscal year 2017-2018 a formal recommendation is not deemed necessary.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

Finding

During our review of the student activity account deposits, it was noted that high school student activities receipts were not being turned over to the Board Office for deposit in a timely manner. It was also noted that the date of the receipt per the student activities accounting records did not reflect the actual receipt date.

Recommendation

It is recommended that high school student activities receipts be turned over to the Board Office for deposit in a timely manner, and the date of the receipt per the student activities accounting records reflects the actual receipt date.

Management's Response

Administration will do everything in their power to ensure that high school student activity receipts are turned over for deposit in a timely manner and that the actual date of receipt is recorded in the student activities accounting records.

Application for State School Aid

Our audit procedures included a test of enrollments and related services reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, bilingual 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 with minor exceptions. The information that was included on the workpapers was verified on a test basis with no errors. 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.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Pupil Transportation (Cont'd)

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.

Facilities and Capital Assets

Our procedures included a review of the 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.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal travel policy and procedure pertaining to travel expenses and reimbursements for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to account for these expenses within a separate account in the budget to ensure that the maximum is not exceeded. The regulations also require that all travel be approved by the Board prior to the event and that the approval list the event, total event cost and the individuals attending. Employees and board members attending an event are then required to complete a post event report to be submitted to a designated person within the District.

Finding

The District did not approve a travel maximum for the fiscal year ended June 30, 2017. In accordance with N.J.A.C. 6A:23A-7.3, school districts are required to establish by board resolution a maximum travel expenditure amount for the budget year, which the school district shall not exceed.

Recommendation

It is recommended that a travel maximum be established through a board resolution on an annual basis.

Management's Response

The District will pass a board resolution to establish a travel maximum for the fiscal year ended June 30, 2019.

Management Suggestions:

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the District will be GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in that

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Management Suggestions: (Cont'd)

Governmental Accounting Standards Board Statements (Cont'd)

successful implementation of this standard will require the provision of certain key financial and non-financial information from the New Jersey Division of Pensions.

Student Activities

It has recently been determined that certain School District personnel may not be completely aware of the limitations and restrictions on the use of Student Activity Funds. We believe it is important that the District be aware that any pupil organization which is part of the activity program of the School District, places at least indirect responsibility for supervision and control of that organization with the Board of Education. We suggest that the Board formally approve each school club or activity. As directed by the New Jersey Department of Education, collections related to fund raising for outside organizations should not be maintained in the District's Student Activity Funds.

Additionally, the District should ensure that District-wide standard policies and procedures are implemented for all Student Activity Funds. These policies should indicate the student activities funds are to be utilized for the benefit of the student activity or club and not to be utilized for enhancement of instructional programs or school facilities. The District should at least at a minimum communicate to school personnel on an annual basis the District's policies and procedures regarding Student Activity Funds. We suggest that these policies include guidance regarding timely deposits of funds and the safeguarding of funds prior to deposit as well as the appropriate purchasing guidelines for student activities disbursements.

Cyber Security

Cyber-crime has become much more prevalent in the last few years. Websites and internal networks, including personally identifiable information ("PII"), have been hacked and resulted in significant losses to organizations, both financial and reputational. We suggest that the District consider options to test and protect the District from cyber-crime.

Deferred Compensation Plans

The District has a fiduciary responsibility to its employees related to the deferred compensation plans offered by the District. The District should consider a periodic review of the benefits, features, costs, and performance of its deferred compensation plans and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the District's fiduciary responsibilities.

Independent Contractors vs. Employees

The District should consider reviewing the status of "Independent Contractors" utilized by the District with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

HACKETTSTOWN SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Management Suggestions: (Cont'd)

Purchasing Compliance

It has come to our attention that a number of school districts in New Jersey are being cited by the State Department of education for the purchasing of goods or services prior to the issuance of an approved purchase order. We are taking this opportunity to reiterate to our clients that a valid, approved purchase order must be prepared prior to obligating the District to a purchase of goods or services to be in compliance with requirements of the State.

Capital Projects

The District has certain SDA grant projects which appear to be substantially complete. The final submission should be submitted as soon as possible to ensure collection of these funds and to allow for the close-out of the projects.

Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding the NCLB Title I grant expenditure reports, payroll agency withholding balances, and the verification of the payroll check distribution procedure were resolved in the current year. The prior year recommendation regarding Extraordinary Aid was not resolved and is included as a recommendation in the current year.

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF MEAL COUNT ACTIVITY
FOOD SERVICE FUND
NUMBER OF MEALS SERVED
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(MEMORANDUM ONLY)

NOT APPLICABLE

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF NET CASH RESOURCES
FOOD SERVICE FUND
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(MEMORANDUM ONLY)

NOT APPLICABLE

HACKETTSTOWN SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 14, 2016

	2017-2018 Application for State School Aid											
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Sample for Verification Verified per Registers On Roll		Errors per Registers On Roll	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Kindergarten	115		115				115		115			
Grade One	108		108				108		108			
Grade Two	110		110				110		110			
Grade Three	94		95		(1)		95		95			
Grade Four	80		80				80		80			
Grade Five	94		94				94		94			
Grade Six	91		91				91		91			
Grade Seven	88		87		1		87		87			
Grade Eight	84		84				84		84			
Grade Nine	177		178		(1)		178		178			
Grade Ten	210		210				210		210			
Grade Eleven	177		177				177		177			
Grade Twelve	200		200				200		200			
Subtotal	1628		1629		(1)		1629		1629			
Special Ed - Elementary	124		125		(1)		10		10			
Special Ed - Middle School	53		53				5		5			
Special Ed - High School	119		118		1		10		10			
Subtotal	119		118		1		10		10			
Totals	1747		1747				1639		1639			
Percentage Error					0.00%						0.00%	0.00%

HACKETTSTOWN SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 14, 2016

	Private Schools for Disabled				Resident Low Income				
	Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten									
Grade One					37	37	2	2	
Grade Two					29	29	2	2	
Grade Three					39	39	2	2	
Grade Four					25	26	2	2	(1)
Grade Five					28	28	2	2	
Grade Six					27	27	2	2	
Grade Seven					23	23	2	2	
Grade Eight					30	30	2	2	
Grade Nine					25	25	2	2	
Grade Ten					23	23	2	2	
Grade Eleven					17	16	2	2	1
Grade Twelve					16	16	2	2	
Subtotal					13	13	1	1	
					332	332	25	25	
Special Ed - Elementary	2	1	1		54	55	5	5	(1)
Special Ed - Middle School	2	1	1		20	21	2	2	(1)
Special Ed - High School	5	1	1		22	21	2	2	1
Subtotal	9	3	3		96	97	9	9	(1)
Totals	9	3	3		428	429	34	34	(1)
Percentage Error									-0.23%
									0.00%

HACKETTSTOWN SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 14, 2016

	Resident LEP Low Income					
	Reported on A.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores, Application and Register	Sample Errors
Full Day Kindergarten						
Grade One	20	20		1	1	
Grade Two	15	15		1	1	
Grade Three	13	13		1	1	
Grade Four	10	9	1	1	1	
Grade Five	6	6		1	1	
Grade Six	2	2				
Grade Seven	2	2				
Grade Eight	3	3		1	1	
Grade Nine	8	8		1	1	
Grade Ten	9	9		1	1	
Grade Ten	7	6	1	1	1	
Subtotal	95	93	2	9	9	
Special Ed - Elementary	2	3	(1)	1	1	
Special Ed - High School	1	2	(1)			
Subtotal	3	5	(2)	1	1	
Totals	98	98		10	10	
Percentage Error			0.00%			0.00%

HACKETTSTOWN SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 14, 2016

	Resident LEP Not Low Income					
	Reported on A.S.S.A. as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Full Day Kindergarten	4	4		1	1	
Grade One	2	2				
Grade Two	1	1				
Grade Three	1	1				
Grade Six	1	2	(1)	1	1	
Grade Seven	1	1				
Grade Nine	3	3		1	1	
Grade Ten	2	2		1	1	
Subtotal	15	16	(1)	4	4	
Totals	15	16	(1)	4	4	
Percentage Error			-6.67%			0.00%

HACKETTSTOWN SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	1	1		1	1	
Regular - Special Education	7	7		2	2	
Special Needs - Public	33	33		4	4	
Special Needs - Private	9	9		2	2	
Totals	50	50		9	9	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Reported	Re- calculated
Average Mileage - Regular Including Grade PK Students	3.4	3.4
Average Mileage - Regular Excluding Grade PK Students	3.4	3.4
Average Mileage - Special Education with Special Needs	9.7	9.7

HACKETTSTOWN SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2016-2017 Total General Fund Expenditures per the CAFR	<u>\$ 34,190,837</u> (B)	
Increased by:		
Transfer to Food Service Fund	<u>\$ -0-</u> (B1a)	
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1b)	
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ 1,335,000</u> (B1c)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 3,756,529</u> (B2a)	
Assets Acquired Under Capital Leases	<u>\$ 910,000</u> (B2b)	
Adjusted 2016-2017 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 30,859,308</u> (B3)	
2% of Adjusted 2016-2017 General Fund Expenditures [(B5) times .02]	<u>\$ 617,186</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 617,186</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ 94,996</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 712,182</u> (M)

Section 2

Total General Fund - Fund Balances @ 6/30/2017 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 4,832,046</u> (C)	
Decreased by:		
Year-End Encumbrances	<u>\$ 1,136,465</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 108,202</u> (C3)	
Other Restricted Fund Balances	<u>\$ 2,417,842</u> (C4)	
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ 571,798</u> (C5)	
Additional Assigned Fund Balance - Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	<u>\$ -0-</u> (C6)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 597,739</u> (U1)

HACKETTSTOWN SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section 3

Restricted Fund Balance-Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0- \$ -0- (E)

Recapitulation of Excess Surplus as of June 30, 2015

Excess Surplus - Designated for Subsequent Year's Expenditures \$ 108,202 (C3)

Excess Surplus [(E)] \$ -0- (E)

Total [(C3)+(E)] \$ 108,202 (D)

Detail of Allowable Adjustments

Impact Aid \$ -0- (H)

Sale and Lease Back \$ -0- (I)

Extraordinary Aid \$ 94,996 (J1)

Additional Nonpublic School Transportation Aid \$ -0- (J2)

Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)] \$ 94,996 (K)

Detail of Other Restricted Fund Balance

Statutory Restrictions \$ -0-

Approved Unspent Separate Proposal \$ -0-

Capital Outlay for a District with a Capital Outlay SGLA \$ -0-

Sale/Lease-Back Reserve \$ -0-

Capital Reserve \$ 1,084,842

Maintenance Reserve \$ 333,000

Tuition Reserve \$ 800,000

Other State/Governmental Mandated Reserve \$ -0-

Other Restricted Fund Balance not Noted Above \$ 200,000

Total Other Restricted Fund Balance \$ 2,417,842

HACKETTSTOWN SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

It is recommended that:

1. Administrative Practices and Procedures

None
2. Financial Planning, Accounting and Reporting
 - a. The District ensure that the in-District costs reported on the Extraordinary Aid application are supported by the District's accounting records and related application documentation.
 - b. The District reach the required 90% parental consent threshold for the SEMI Medicaid program.
3. School Purchasing Program

None
4. School Food Service

None
5. Student Body Activities

High school student activities receipts be turned over to the Board Office for deposit in a timely manner and the date of the receipt per the student activities accounting records reflects the actual receipt date.
6. Application for State School Aid

None
7. Pupil Transportation

None
8. Facilities and Capital Assets

None
9. Miscellaneous

A travel maximum be established through a board resolution on an annual basis.
10. Status of Prior Year's Findings/Recommendations

The prior year recommendations regarding the NCLB Title I grant expenditure reports, payroll agency withholding balances, and the verification of the payroll check distribution procedure were resolved in the current year. The prior year recommendation regarding Extraordinary Aid was not resolved and is included as a recommendation in the current year.