

*Auditor's Management Report*

*for the*

***Hamilton Township  
School District***

*in the*

*County of Mercer  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2017*



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

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**Tax ID Number 21-6000323**





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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, 2017, and have issued our report dated November 30, 2017.

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, 2017

**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, 2017 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.

**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.30A:30A-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. 30:39-3 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.30A:30A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A.30A:30A-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 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 and appropriate school food service personnel as to whether the district had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted. We also inquired of school management and appropriate school food service personnel as to whether the district's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The statement of revenues, expenses, and changes in fund net assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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 except as noted below. 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.

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

**School Food Service Funds**

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

**Finding 2017-001** During the course of our audit we noted that the District did not submit the reimbursement voucher for federal and state subsidies for school lunch and breakfast for the month of November 2016. The voucher has now been remitted and the District is awaiting reimbursement.

**Recommendation 2017-001** That the internal controls over the submission of subsidy reimbursement vouchers for school lunch and breakfast be improved to insure timely submission and reimbursement of funds.

**Student Body Activities**

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

**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 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, 2016 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.

**Testing for Lead of Drinking Water In Educational Facilities**

The school district adhered to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

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

**RECOMMENDATIONS**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

None

**School Purchasing Program**

None

**School Food Service**

**2017-001** That the internal controls over the submission of subsidy reimbursement vouchers for school lunch and breakfast be improved to insure timely submission and reimbursement of funds.

**Student Body Activities**

None

**Pupil Transportation**

None

**Facilities and Capital Assets**

None

**Application for State School Aid**

None

**Testing for Lead of Drinking Water In Educational Facilities**

None

**Prior Year Audit Findings**

Corrective Action was taken on all prior year findings.

**HAMILTON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-18 Application for State School Aid (10/14/16 data)						Sample for Verification						Private School for Disabled				
	Reported as 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 Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day PreK-3 year old	15		15		-												
Half Day PreK-4 year old	114		114		-		3		3			-					
Full Day PreK-3 year old																	
Full Day PreK-4 year old																	
Half Day K																	
Full Day K	786		786		-		22		22			-					
One	742		742		-		20		20			-					
Two	785		785		-		21		21			-					
Three	733		733		-		20		20			-					
Four	667		667		-		18		18			-					
Five	715		715		-		19		19			-					
Six	710		710		-		19		19			-					
Seven	729		729		-		20		20			-					
Eight	786		786		-		22		22			-					
Nine	763		763		-		21		21			-					
Ten	763		763		-		21		21			-					
Eleven	735	64	735	64	-	-	20	2	20	2		-	-				
Twelve	719	103	719	103	-	-	20	3	20	3		-	-				
Post-Graduate																	
Adult H.S. (15+ CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	9,762	167	9,762	167	0	0	266	5	266	5		0	0	0	0	0	
Sp. Ed. - Elementary	622		622		0		17		17			0		8	6	6	0
Sp. Ed. - Middle School	433		433		0		12		12			0		16	12	12	0
Sp. Ed. - High School	530	102	530	102	0	0	15	3	15	3		0	0	33	25	25	0
Subtotal	1,585	102	1,585	102	0	0	44	3	44	3		0	0	57	43	43	0
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	11,347	269	11,347	269	0	0	310	8	310	8		0	0	57	43	43	0
Percentage Error					0%	0%						0%	0%				0%

**HAMILTON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016**

	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												
Half Day PreK-4 year old												
Full Day PreK-3 year old												
Full Day PreK-4 year old												
Half Day K												
Full Day K	302	302	0	20	20	0	28	28	0	16	16	0
One	308	308	0	20	20	0	29	29	0	17	17	0
Two	339	339	0	22	22	0	21	21	0	12	12	0
Three	316	316	0	20	20	0	6	6	0	3	3	0
Four	286	286	0	19	19	0	12	12	0	7	7	0
Five	282	282	0	18	18	0	9	9	0	5	5	0
Six	297	297	0	19	19	0	6	6	0	3	3	0
Seven	302	302	0	20	20	0	9	9	0	5	5	0
Eight	300	300	0	19	19	0	17	17	0	10	10	0
Nine	289	289	0	19	19	0	19	19	0	11	11	0
Ten	270	270	0	17	17	0	13	13	0	7	7	0
Eleven	247.5	247.5	0	16	16	0	13	13	0	7	7	0
Twelve	265	265	0	17	17	0	8	8	0	5	5	0
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	3,803.5	3803.5	-	246	246	0	190	190	0	108	108	0
Special Ed - Elementary	301	301	0	20	20	0	11	11	0	6	6	0
Special Ed - Middle	254	254	0	16	16	0	3	3	0	2	2	0
Special Ed - High	316.5	316.5	0	21	21	0	3.5	3.5	0	2	2	0
Subtotal	871.5	871.5	0	57	57	0	17.5	17.5	0	10	10	0
Co. Voc. - Regular	1.5	1.5	-									
Co. Voc. Ft. Post Sec.												
Totals	4,676.5	4676.5	0.0	303	303	0	207.5	207.5	0	118	118	0
Percentage Error			0%			0%			0%			0%

**Transportation**

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools, col. 2, 3, 4, 5	2,787	2,787	-	177	177	-		
Reg -Sp Ed, col. 8, 9, 10	564	564	-	52	52	-		
Nonpublic Transported, col. 6	602	602	-	40	40	-		
Special Ed Spec, col. 1,2,3,6,7,8	541	541	-	34	34	-		
Totals	4,493	4,493	0	303	303	-		
Percentage Error			0%			0%		

  

	Reported	Re-Calculated
Avg. Mileage - Regular Including Grade PK students	4.4	NR
Avg. Mileage - Regular Excluding Grade PK students	4.4	NR
Avg. Mileage - Special Ed with Special Needs	6.4	NR

NR No exceptions found, therefore; recalculation of mileage is not required

**HAMILTON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.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						
Full Day PreK-3 year old						
Full Day PreK-4 year old						
Half Day K						
Full Day K	10	10	0	8	8	0
One	8	8	0	6	6	0
Two	1	1	0	1	1	0
Three	5	5	0	4	4	0
Four	3	3	0	3	3	0
Five	2	2	0	1	1	0
Six	4	4	0	3	3	0
Seven						
Eight	4	4	0	3	3	0
Nine	6	6	0	4	4	0
Ten	4	4	0	3	3	0
Eleven	2	2	0	1	1	0
Twelve	5	5	0	4	4	0
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>54</u>	<u>54</u>	<u>0</u>	<u>41</u>	<u>41</u>	<u>0</u>
Special Ed - Elementary	2	2	0	2	2	0
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>2</u>	<u>2</u>	<u>0</u>	<u>2</u>	<u>2</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>56</u>	<u>56</u>	<u>0</u>	<u>43</u>	<u>43</u>	<u>0</u>
Percentage Error			<u>0%</u>			<u>0%</u>

## EXCESS SURPLUS CALCULATION

### **SECTION 1**

General Fund Expenditures:		
Fiscal Year Ended June 30, 2017		\$211,818,077
Increased by:		
Transfer from Capital Outlay to Capital Projects		211,818,077
Less On-Behalf TPAF Pension and Social Security	<u>\$22,319,095</u>	<u>22,319,095</u>
Adjusted General Fund Expenditures		189,498,982
Excess Surplus Percentage		<u>2.00%</u>
Subtotal		3,789,980
Increased by:		
Extraordinary Aid (Unbudgeted)	442,531	
Non-Public Transportation Aid (Unbudgeted)	<u>63,908</u>	
		<u>506,439</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>\$4,296,419</u></u>

### **SECTION 2**

Total General Fund Balance		\$21,688,795
Decreased by:		
Non-Spendable Inventory	260,753	
Year End Encumbrances	1,825,291	
Legally Restricted:		
Excess Surplus - Designated for Subsequent Year's Expenditures	3,020,432	
Maintenance Reserve	481,603	
Capital Reserve	3,207,046	
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>6,000,000</u>	
		<u>14,795,125</u>
Total Unassigned Fund Balance		<u>6,893,670</u>
Reserved Fund Balance-Excess Surplus		<u><u>\$2,597,251</u></u>

### **SECTION 3**

Recapitulation of Excess Surplus as of June 30, 2017:		
Reserved Excess Surplus-Designated for Subsequent Years Expenditures		3,020,432
Reserved Excess Surplus		<u>2,597,251</u>
Total		<u><u>5,617,683</u></u>



