



HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT

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

JUNE 30, 2017

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Independent Auditors' Report

Honorable President and Members
of the Board of Education
Hopewell Valley Regional School District
County of Mercer, New Jersey

We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Hopewell Valley Regional School District, County of Mercer for the year ended June 30, 2017, and have issued our report thereon dated November 21, 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 report is intended solely for the information and use of the Hopewell Valley Regional School District's management and Board members, and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Michael J. Andriola
Licensed Public School Accountant
No. 2429



WISS & COMPANY, LLP

November 21, 2017
Livingston, New Jersey

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2017

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>
Robert Colavita	Business Administrator/Board Secretary	\$ 120,000
James Bartolomei	Treasurer of School Moneys	400,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were more (less) than estimated costs. The District made a proper adjustment to the billings to sending Districts for the increase (decrease) in per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated no 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/Business Administrator.

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

Payrolls were delivered to the treasurer of school monies with a warrant made to his order for the full amount of each payroll.

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

JUNE 30, 2017

Position Control Roster

An inquiry and subsequent review of the Position Control Roster did not identify and inconsistencies between the 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.

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

The E.S.E.A./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 Education Act as amended and reauthorized.

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

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2017

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 other special projects indicated no instances of noncompliance that are required to be reported in accordance with the Uniform Guidance or State Circular NJ OMB 15-08.

Finding 2017-001

Finding:

The District continued to make progress towards maximizing its participation in the Special Education Medicaid Initiative (SEMI) Program. Although the District was unable to reach ninety percent participation, current year participation increased from the prior year and progress was made towards the ninety percent participation goal.

Recommendation:

We suggest the District complete the process of maximizing its participation in the SEMI program or apply for a waiver of those requirements.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms 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 employee's salaries were identified as being paid from federal funds.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:39-3* are \$40,000 (the Business Administrator is a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent),

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ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

JUNE 30, 2017

respectively. The law regulating bidding for public school transportation contracts under *N.J.S.A. 18A:39-3* is currently \$18,800 for 2016-17.

The District 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 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*, as amended.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there have been no advertising for bids in accordance with the provisions of *N.J.S.A. 18A:18A-4*.

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

School Food Service

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. 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.

The Statement of Revenues, Expenses and Changes in Fund Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

Student Body Activities

During our review of the student activity funds, there were no exceptions noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 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 exceptions as identified in the Schedule of Audited Enrollments. The information that was included on the workpapers was also verified with exceptions as identified 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 has adequate written procedures for the recording of student enrollment data.

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2017

Finding 2017-002

Finding:

During our testing of the ASSA, exceptions were identified between what was reported on the ASSA and what was reported on the working papers and in the related school registers in the Special Ed - Elementary category.

Recommendation:

We suggest the District strengthen procedures to ensure that all students are properly reported on the ASSA and supported by District working papers and school registers and that the records are maintained that were utilized in preparing the ASSA.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2016-17 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. No exceptions were noted. 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 testing, 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.

Facilities and Capital Assets

Our procedures included a review of the New Jersey Schools Development Authority ("NJSDA") grant agreement 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 current year NJSDA activity was noted.

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2017

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. Corrective action had been taken on all prior year findings.

There were no Office of Fiscal Accountability and Compliance ("OFAC") audit reports issued during the 2016-17 fiscal year.

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

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-2018 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 Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	37		37					20		20						
Full Day Preschool																
Half Day Kindergarten																
Full Day Kindergarten	214		214					52		52						
One	201		201					61		61						
Two	214		214					47		47						
Three	250		250					80		80						
Four	227		227					61		61						
Five	238		238					42		42						
Six	234		234					234		234						
Seven	248		248					248		248						
Eight	245		245					245		245						
Nine	235		235					235		235						
Ten	252		252					252		252						
Eleven	262	7	262	7				262	7	262	7					
Twelve	282	3	282	3				282	3	282	3					
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	3,139	10	3,139	10	-	-	2,121	10	2,121	10	-	-	-	-	-	-
Special Ed - Elementary	194		196		(2)		40		40				3	2	2	
Special Ed - Middle School	124		124				124		124				8	7	7	
Special Ed - High School	145	15	145	15		-	145	15	145	15		-	14.0	13	13	
Subtotal	463	15	465	15	(2)	-	309	15	309	15	-	-	25.0	22	22	-
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	3,602	25	3,604	25	(2)	-	2,430	25	2,430	25	-	-	25.0	22	22	-
Percentage Error					-0.06%	0.00%					0.00%	0.00%				0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
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 Preschool		1	(1)									
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	5	5		3	3		1	1		1	1	
One	10	9	1	6	6							
Two	9	10	(1)	4	4							
Three	8	7	1	4	4		1	1		1	1	
Four	8	8		6	6							
Five	8	8		4	4							
Six	14	14		8	8							
Seven	4	4		2	2							
Eight	9	9		6	6							
Nine	14	14		11	11							
Ten	8	8		5	5							
Eleven	3	3		2	2							
Twelve	13	14	(1)	9	9							
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	113.0	114.0	(1)	70	70	-	2.0	2	-	2	2	-
Special Ed - Elementary	15	16		9	9							
Special Ed - Middle	13	13		8	8							
Special Ed - High	10.5	10.5		7	7							
Subtotal	38.5	39.5	-	24	24	-	-	-	-	-	-	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	151.5	153.5	(1.0)	94	94	-	2.0	2.0	-	2	2	-
Percentage Error			-0.66%			0.00%			0.00%			0.00%

Transportation							
Reported on DRTRS by District	Reported on DRTRS by DOE/county	Errors	Tested	Verified	Errors	Reported	Recalculated
Reg. - Public Schools	1,706.0	1,706.0	206	206		4.6	4.6
Reg -SpEd	273.5	273.5	33	33		4.6	4.6
Transported - Non-Public	349.0	349.0	42	42		11.4	11.4
Special Ed Spec	86.5	86.5	10	10			
Totals	2,415.0	2,415.0	291	291	-		
Percentage Error					0.00%		

Reg Avg.(Mileage) = Regular Including Grade PK students (Part A)
Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B)
Spec Avg. = Special Ed with Special Needs

SCHEDULE OF AUDITED ENROLLMENTS

HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

	<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 Kindergarten						
Full Day Kindergarten	6	6		4	4	
One	2	2		2	2	
Two	3	3		2	2	
Three						
Four	2	2		2	2	
Five	1	1		1	1	
Six						
Seven	2	2		2	2	
Eight						
Nine	1	1		1	1	
Ten	1	1		1	1	
Eleven	1	1		1	1	
Twelve	2	2		2	2	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>21</u>	<u>21</u>	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>21</u>	<u>21</u>	<u>-</u>	<u>18</u>	<u>18</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

Hopewell Valley Regional School District

Excess Surplus Calculation

June 30, 2017

SECTION 1 – Regular District

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 81,410,105	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for Pre-K Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 8,905,787	(B2a)
Assets Acquired Under Capital Leases	\$ 1,485,000	(B2b)
Adjusted 2016-17 General Fund Expenditures [(B) + (B1s) - (B2s)]	\$ 71,019,318	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ 1,420,386	(B4)
Enter Greater of (B4) or \$250,000	\$ 1,420,386	(B5)
Increased by: Allowable Adjustment*	\$ 448,716	(K)
Maximum Unassigned/Undesignated - Fund Balance [(B5) + (K)]	\$ 1,869,102	(M)

Hopewell Valley Regional School District

Excess Surplus Calculation

June 30, 2017

SECTION 2

Total General Fund - Fund Balances at 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 12,289,995 (C)
Decreased by:	
Year-end Encumbrances	\$ 294,433 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ - (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	(C3)
Other Restricted Fund Balances****	\$ 4,914,378 (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ 2,989,390 (C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	\$ - (C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ 4,091,794 (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ 2,222,692 (E)
--	------------------

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus- Designated for Subsequent Year's Expenditures**	\$ - (C3)
Reserved Excess Surplus *** [(E)]	\$ 2,222,692 (E)
Total [(C3)+(E)]	\$ 2,222,692 (D)

* 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 and Nonpublic School Transportation Aid; and recognized current year School Bus Advertising Revenue. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Hopewell Valley Regional School District

Excess Surplus Calculation

June 30, 2017

Detail of Allowable Adjustments

Impact Aid	\$	-	(H)
Sales & Lease-back	\$	-	(I)
Extraordinary Aid	\$	388,284	(J1)
Additional Nonpublic School Transportation Aid	\$	60,432	(J2)
Current Year School Bus Advertising Revenue Recognized	\$	-	(J3)
Family Crisis Transportation Aid	\$	-	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$	448,716	(K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amount must agree to the June 30, 2017 CAFR and must agree to Audit Summary Line 90030.

**** Amount for Other Restricted 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 any other type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	-
Sale/lease-back reserve	\$	-
Capital reserve	\$	4,825,710
Maintenance reserve	\$	88,668
Emergency reserve	\$	-
Tuition reserve	\$	-
School Bus Advertising 50% Fuel Offset-current year	\$	-
School Bus Advertising 50% Fuel Offset-prior year	\$	-
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	-
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$	-
Other state/government mandated reserve	\$	-
[Other Restricted Fund Balance not noted above]****	\$	-
Total Other Restricted Fund Balance	\$	4,914,378 (C4)

**HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2017

Audit Recommendations Summary

We suggest the following:

1. Administrative Practices and Procedures –

The District complete the process of maximizing its participation in the SEMI program or apply for a waiver of those requirements.

2. Financial Planning, Accounting and Reporting – None.

3. School Purchasing Programs – None.

4. School Food Service – None.

5. Student Body Activities – None.

6. Application for State School Aid –

The District strengthen procedures to ensure that all students are properly reported on the ASSA and supported by District working papers and school registers and that the records are maintained that were utilized in preparing the ASSA.

7. Pupil Transportation – None.

8. Facilities and Capital Assets – None.

9. Miscellaneous – None.

10. Status of Prior Year Audit Findings/Recommendations – None.