

*Auditor's Management Report*

*for the*

*North Hunterdon-Voorhees  
Regional High School District*

*in the*

*County of Hunterdon  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2017*



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

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**Tax ID Number      22-6002846**





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## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY THE NEW JERSEY DEPARTMENT OF EDUCATION**

Honorable President and Members  
of the Board of Education  
North Hunterdon-Voorhees Regional High School District  
County of Hunterdon  
Annandale, New Jersey 08801

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 North Hunterdon-Voorhees Regional High School District in the County of Hunterdon for the year ended June 30, 2017, and have issued our report dated November 7, 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 North Hunterdon-Voorhees Regional High School District, County of Hunterdon, 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. 962

November 7, 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 North Hunterdon-Voorhees Regional High School 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 in the District's CAFR (See Exhibit "J-20").

**Official Bonds**

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Steffi-Jo DeCasas	Treasurer of School Monies	\$320,000.00
Susan Press	School Business Administrator/ Board Secretary	320,000.00
Lynn La Monte	Treasurer/Comptroller	320,000.00
Blanket Bond	All Employees	250,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

**Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. No adjustments were required in accordance with N.J.A.C. 6A:23-3.1(f)3.

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING**

**Examination of Claims**

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

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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**Payroll Account**

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 tested 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 withholding due to the general fund.

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

The balances of funds on deposit in the Payroll Account are analyzed on a monthly basis.

**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.

**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 without exception.

**Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C.6A:23-2.2(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 specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**Board Secretary's Records**

The financial records, books of account and minutes of the Board Secretary were maintained in satisfactory condition and an encumbrance system was fully implemented.

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

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)**

**Treasurer's Records**

The records maintained by the Treasurer of School Monies were in agreement with the records maintained by the Board Secretary/School Business Administrator.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I and Title IIA of the Elementary and Secondary Education Act as amended and reauthorized.

**Other Special Federal and 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.

**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 and no exceptions were noted.



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

**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 \$29,000.00, 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. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971 c. 198 (C.40A:119) 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. 18A:18A2 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 the 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. 18A:18A5 may be awarded for a period not exceeding 12 consecutive months.

N.J.S.A.18A:18A4 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 approved 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."

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

**SCHOOL PURCHASING PROGRAMS**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,800.00.

The Board appointed Susan Press as the Qualified Purchasing and increased the bid threshold to \$40,000.00.

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. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A5.

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. Our audit did reveal however, that the District did make purchases under State contracts and cooperative purchasing agreements.

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

**ENTERPRISE FUNDS**

**School Food Service Funds**

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

Applications for free and reduced price meals were reviewed for completeness and accuracy. The free and reduced priced meal policy is uniformly administered throughout the school district. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions were noted.

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. No exceptions were noted.

The cash disbursements records reflected expenditures for non-program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return an operating profit of at least \$34,815.00. The operating provision has been met.

Net cash resources did not exceed three months average expenditures.

Cash receipts and bank records were reviewed for timely deposit.

Exhibits reflecting Child Nutrition Program operations are included in Section B of the CAFR.

**STUDENT BODY ACTIVITIES**

**Student Activities/Athletic Funds - All Schools**

A cash receipts and disbursement record were maintained in satisfactory condition.

All receipts were promptly deposited in the bank.

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

### **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 without exception. 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 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. No exceptions were noted in our review of transportation related purchases of goods and services.

### **TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES**

We were advised that 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.

### **FACILITIES AND CAPITAL ASSETS**

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

### **FOLLOW-UP ON PRIOR YEAR'S FINDINGS**

Not applicable.

**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**

None

**Student Body Activities**

None

**Application for State School Aid**

None

**Pupil Transportation**

None

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

None

**Facilities and Capital Assets**

None

**Prior Year's Findings/Recommendations**

None

**NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**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		Workpapers On Roll		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported or Sample A.S.S.A. as for Private Schools		Sample Verified Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool -3 Yrs														
Half Day Preschool -4 Yrs														
Half Day Kindergarten														
Full Day Kindergarten														
One														
Two														
Three														
Four														
Five														
Six														
Seven														
Eight														
Nine	545	1	545	1	58	58								
Ten	591	3	591	3	63	63	1	63	1					
Eleven	560	45	560	45	59	59	5	59	5					
Twelve	529	53	529	53	56	56	4	56	4					
Post-Graduate														
Adult H.S. (15+CR.)														
Adult H.S. (1-14 CR.)														
Subtotal	2,225	102	2,225	102	236	236	10	236	10					
Special Ed - Elementary														
Special Ed - Middle School	376	44	376	44	40	40	5	40	5			18	15	15
Special Ed - High School	376	44	376	44	40	40	5	40	5			18	15	15
Subtotal	752	88	752	88	80	80	10	80	10			36	30	30
Co. Voc. - Regular														
Co. Voc. Ft. Post Sec.														
Totals	2,601	146	2,601	146	276	276	15	276	15			18	15	15
Percentage Error												None	None	None

**NORTH HUNTERDON-VOORHEES REGIONAL HIGH SCHOOL DISTRICT**  
**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.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.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	17	17		13	13		1	1		1	1	
Ten	15	15		11	11		1	1		1	1	
Eleven	15	15		11	11		1	1		1	1	
Twelve	15.0	15.0		11	11							
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	62.0	62.0		47	47		2	2		2	2	
Special Ed - Elementary												
Special Ed - Middle	27.50	27.50		21	21							
Special Ed - High	27.50	27.50		21	21							
Subtotal	89.50	89.50		68	68		2	2		2	2	
Res. Mental Health Ctr.												
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	2480	2480		291	291		2	2		2	2	
Percentage Error				None						None		None

**Transportation**

	Reported on DRTRS by DOE/county		Reported on DRTRS by District		Sample Tested		Verified	
	DRTRS by DOE/county	Errors	DRTRS by District	Errors	Sample Tested	Errors	Verified	Errors
Reg. - Public Schools, col. 1	1878		1878		220		220	
Reg. - Non-Public & Other Schools, col. 2	1		1		1		1	
All, col. 3	124		124		15		15	
Reg.-SpEd, col. 4	402		402		47		47	
Special Ed Spec, col. 6	75		75		8		8	
Totals	2480		2480		291		291	
Percentage Error								None

NORTH HUNTERDON-VORHEES REGIONAL HIGH SCHOOL DISTRICT  
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.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool					
Full Day Preschool					
Half Day Kindergarten					
Full Day Kindergarten					
One					
Two					
Three					
Four					
Five					
Six					
Seven					
Eight	2	2	1	1	
Nine					
Ten					
Eleven					
Twelve	1	1	1	1	
Post-Graduate					
Adult H.S. (15+CR.)					
Adult H.S. (1-14 CR.)					
Subtotal	3	3	2	2	
Special Ed - Elementary					
Special Ed - Middle					
Special Ed - High					
Subtotal					
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	3	3	2	2	
Percentage Error			None		None



NORTH HUNTERDON-VOORHEES SCHOOL DISTRICT  
SCHEDULE OF CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2016 - 2017 Total General Fund Expenditures per CAFR Ex. C-1	\$ 61,854,982.69	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>5,864,018.88</u>	
Adjusted 2016 - 2017 General Fund Expenditures		\$ <u>55,990,963.81</u>
2% of Adjusted 2016 - 2017 General Fund Expenditures		<u>1,119,819.28</u>
Greater of Line Above or \$250,000.00		<u>1,119,819.28</u>
Increased by: Allowable Adjustment		<u>289,507.00</u>
Maximum Unreserved/Undesignated Fund Balance		\$ <u><u>1,409,326.28</u></u>

SECTION 2

Total General Fund Balances at June 30, 2017	\$ <u>21,050,591.96</u>	
Decreased by:		
Year-End Encumbrances	<u>4,720,193.30</u>	
Legally Restricted - Excess Surplus-Designated for Subsequent Year's Expenditures	<u>5,098,298.00</u>	
Other Restricted Fund Balances	<u>7,944,816.21</u>	
Total Unassigned Fund Balance		\$ <u>3,287,284.45</u>

SECTION 3

Restricted Fund Balance-Excess Surplus		\$ <u><u>1,877,958.17</u></u>
<u>Recapitulation of Excess Surplus as of June 30, 2017</u>		
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures		\$ <u>5,098,298.00</u>
Reserved Excess Surplus		<u>1,877,958.17</u>
Total		\$ <u><u>6,976,256.17</u></u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 267,887.00
Additional Non-Public School Transportation Aid	<u>21,620.00</u>
	\$ <u>289,507.00</u>

Detail of Other Restricted Fund Balance

Statutory Restrictions:	
Capital Reserve	\$ 7,030,657.26
Maintenance Reserve	<u>914,158.95</u>
Total Other Restricted Fund Balance	\$ <u>7,944,816.21</u>

