

Auditor's Management Report

for the

*Township of Warren
School District*

in the

*County of Somerset
New Jersey*

for the

*Fiscal Year Ended
June 30, 2016*

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

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Warren School District
County of Somerset
Warren, New Jersey 07059

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 Warren School District in the County of Somerset for the year ended June 30, 2016, and have issued our report dated October 31, 2016.

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 Warren School District, County of Somerset, 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

October 31, 2016

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 Township of Warren Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance (N.J.S.A. 18A:17-26, 18A: 17-32)

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>
Ruth Davies	Treasurer of School Monies	\$273,000.00
Patricia Leonhardt	Board Secretary/School Business Administrator	105,000.00

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

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

Payroll Account

The gross salaries of all employees of the Board and the Board's required payroll contributions were deposited in the Payroll 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**

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Reserve for Encumbrances, Liability (Current) for Accounts Payable

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

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-2.4. 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 records maintained by the Board Secretary were in satisfactory condition and appropriate balances matched to those prepared by the Treasurer of School Monies.

Treasurer's Records

The records maintained by the Treasurer of School Monies were in satisfactory condition and independently maintained from the Board Secretary/Board Administrator.

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

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 projects under Title II and III of the Elementary and Secondary Education Act as amended and reauthorized.

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

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 reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Our audit procedures also included a test of the reimbursement of the employer share of pensions, group life insurance, FICA and other benefits of the Teacher's Pension and Annuity Fund for TPAF members carrying out and paid from federally funded programs in accordance with N.J.S.A. 18A:66-90. The District filled out the required form and submitted it for audit. Our test included verification of eligible employees to be included, and, if applicable, a recalculation to verify proper amounts were used. 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 \$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: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.

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

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 \$1,000.00. 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. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

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 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 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) \$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 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.

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

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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. Our examination did reveal however, that the district made purchases through the use of state contracts.

SCHOOL FOOD SERVICE FUND

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit without exception.

The amount of milk 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. Milk claimed agreed with the milk count records tested. No exceptions were noted.

Applications for free milk were reviewed for completeness and accuracy. The amount of free milk 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 milk policy is uniformly administered throughout the school system. 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 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. Net cash resources did not exceed three months average expenditures.

Exhibits reflecting Child Nutrition Program operations are included in Exhibits B-4, B-5, and B-6 of the CAFR.

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

STUDENT BODY ACTIVITIES

Middle School & Athletics Account

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

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information that was included on the workpapers was verified 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 procedures for the recording of student enrollment data.

PUPIL TRANSPORTATION

Our audit procedures included a test of on roll status reported in the 2015-16 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. 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.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations, if applicable. There were no recommendations in prior year.

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

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
None
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
None
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
None
9. Status of Prior Year's Findings/Recommendations
None

TOWNSHIP OF WARREN SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus (2015-16 expenditures of \$100 million or less)

2015 - 2016 Total General Fund Expenditures	<u>44,384,870.50</u>	
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>4,617,908.46</u>	
Adjusted 2015 - 2016 General Fund Expenditures		<u>39,766,962.04</u>
2% of Adjusted 2015 - 2016 General Fund Expenditures		<u>795,339.24</u>
Greater of line above or \$250,000.00		<u>795,339.24</u>
Increased by: Allowable Adjustment		<u>178,298.00</u>
Maximum Unreserved/Undesignated Fund Balance		<u><u>973,637.24</u></u>

SECTION 2

Total General Fund Balances @ 6-30-16	<u>6,998,619.22</u>	
Decreased by:		
Year End Encumbrances	<u>747,596.43</u>	
Legally Restricted-Excess Surplus-Designated For Subsequent Year's Expenditures	<u>440,000.00</u>	
Other Restricted Fund Balances (Capital Reserve, Maintenance Reserve, Emergency Reserve)	<u>4,379,385.55</u>	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		<u>1,431,637.24</u>

TOWNSHIP OF WARREN SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SECTION 3

Reserved Fund Balance-Excess Surplus	<u>458,000.00</u>
<u>Recapitulation of excess surplus as of June 30, 2016</u>	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	<u>440,000.00</u>
Reserved Excess Surplus	<u>458,000.00</u>
Total	<u>898,000.00</u>
<u>Detail of Allowable Adjustments</u>	
Additional/Unbudgeted Extraordinary Aid	152,720.00
Additional/Unbudgeted Non-Public School Transportation Aid	<u>25,578.00</u>
	<u>178,298.00</u>

TOWNSHIP OF WARREN SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2015

	2016-17 Application for State School Aid				Sample for Verification				Private School for Handicapped					
	Reported on A.S.S.A. as on Roll		Workpapers Reported on		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 Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 yrs	8		8		3		3		0		0		0	
Half Day Preschool 4 yrs	10		10		2		2		0		0		0	
Full Day Kindergarten	134		134		25		25		0		0		0	
One	148		148		25		25		0		0		0	
Two	150		150		25		25		0		0		0	
Three	173		173		25		25		0		0		0	
Four	165		165		25		25		0		0		0	
Five	204		204		26		26		0		0		0	
Six	198		198		25		25		0		0		0	
Seven	179		179		24		24		0		0		0	
Eight	177		177		23		23		0		0		0	
Subtotal	1,546	0	1,546	0	228	0	228	0	0	0	0	0	0	0
SpEd Elementary	120		120		27		27		0		9		7	
SpEd Middle School	108	1	108	1	24		24		0		12.5		11	
SpEd High School	0		0		0		0		0		0		0	
Subtotal	228	1	228	1	51	0	51	0	0	0	21.5	0	18	0
Totals	1,774	1	1,774	1	279	0	279	0	0	0	21.5	0	18	0
Percentage									0.00%					0.00%

TOWNSHIP OF WARREN SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2015

	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 Application and Register	Sample Errors
Half Day Preschool 3 yrs	7	7	0	7	7	0	3	3	0	3	3	0
Half Day Preschool 4 yrs	4	4	0	2	2	0	3	3	0	2	2	0
Full Day Kindergarten	3	3	0	3	3	0	0	0	0	0	0	0
One	4	4	0	3	3	0	0	0	0	0	0	0
Two	1	1	0	1	1	0	0	0	0	0	0	0
Three	1	1	0	1	1	0	0	0	0	0	0	0
Four	1	1	0	1	1	0	0	0	0	0	0	0
Five	1	1	0	1	1	0	0	0	0	0	0	0
Six	1	1	0	1	1	0	1	1	0	1	1	0
Seven	3	3	0	2	2	0	0	0	0	0	0	0
Eight	1	1	0	1	1	0	0	0	0	0	0	0
Subtotal	25	25	0	21	21	0	7	7	0	6	6	0
SpEd Elementary	1	1	0	1	1	0	0	0	0	0	0	0
SpEd Middle School	1	1	0	1	1	0	0	0	0	0	0	0
SpEd High School	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	2	2	0	2	2	0	0	0	0	0	0	0
Totals	27	27	0	23	23	0	7	7	0	6	6	0
Percentage Error	0.00%			0.00%			0.00%			0.00%		

Transportation					
Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
680	680	0	232	232	0
25	25	0	22	22	0
122	122	0	82	82	0
161	161	0	99	99	0
95	95	0	72	72	0
1083	1083	0	507	507	0
Percentage Error	0.00%				

Reg.Public Schools, col.1	680	0	232	232	0
Transported - Non-Public, Col.2	25	0	22	22	0
Non-Public ALL, col.3	122	0	82	82	0
Reg. - SpEd, Col.4	161	0	99	99	0
Special Ed Spec, col.6	95	0	72	72	0
Totals	1083	0	507	507	0
Percentage Error	0.00%				

TOWNSHIP OF WARREN SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool 3 yrs						
Half Day Preschool 4 yrs						
Full Day Kindergarten	10	10	0	8	8	0
One	5	5	0	4	4	0
Two	2	2	0	2	2	0
Three	3	3	0	2	2	0
Four	0	0	0	0	0	0
Five	2	2	0	2	2	0
Six	0	0	0	0	0	0
Seven	1	1	0	1	1	0
Eight	1	1	0	1	1	0
Subtotal	<u>24</u>	<u>24</u>	<u>0</u>	<u>20</u>	<u>20</u>	<u>0</u>
SpEd Elementary	0	0	0	0		0
SpEd Middle School	0	0	0	0		0
SpEd High School	0	0	0	0		0
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>24</u>	<u>24</u>	<u>0</u>	<u>20</u>	<u>20</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

TOWNSHIP OF WARREN SCHOOL DISTRICT
NET CASH RESOURCE SCHEDULE - MILK FUND
JUNE 30, 2016

Net Cash Resources:

CAFR *	Current Assets		
B-4	Cash & Cash Equiv.	\$	7,889.96
B-4	Due from Other Gov'ts		3,517.59
CAFR	Current Liabilities		
B-4	Less Accounts Payable		<u>(4,780.42)</u>
	Net Cash Resources	\$	<u><u>6,627.13</u></u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	\$	45,929.70
B-5	Less Depreciation		<u>(3,065.00)</u>
	Adj. Tot. Oper. Exp.	\$	<u><u>42,864.70</u></u> (B)

Average Monthly Operating Expense:

B / 10	\$	<u><u>4,286.47</u></u> (C)
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Three times monthly Average:

3 X C	\$	<u><u>12,859.41</u></u> (D)
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Total in Box A	\$	<u>6,627.13</u>
Less Total in Box D		<u>(12,859.41)</u>
Net	\$	<u><u>(6,232.28)</u></u>

A is greater than D, cash exceeds 3 X average monthly operating expenses.
D is greater than A, cash does not exceed 3 X average monthly operating expenses.

* Inventories are not to be included in total current assets.

TOWNSHIP OF WARREN SCHOOL DISTRICT
NET CASH RESOURCE SCHEDULE - JUICE & WATER FUND
JUNE 30, 2016

Net Cash Resources:

CAFR *	Current Assets		
B-4	Cash & Cash Equiv.	\$	3,318.07
B-4	Accounts Receivable		190.08
CAFR	Current Liabilities		
B-4	Less Accounts Payable		<u>(780.15)</u>
	Net Cash Resources	\$	<u><u>2,728.00</u></u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	\$	<u>10,557.55</u>
	Adj. Tot. Oper. Exp.	\$	<u><u>10,557.55</u></u> (B)

Average Monthly Operating Expense:

B / 10	\$	<u><u>1,055.76</u></u> (C)
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Three times monthly Average:

3 X C	\$	<u><u>3,167.27</u></u> (D)
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Total in Box A	\$	<u>2,728.00</u>
Less Total in Box D		<u>(3,167.27)</u>
Net	\$	<u><u>(439.26)</u></u>
<p>A is greater than D, cash exceeds 3 X average monthly operating expenses. D is greater than A, cash does not exceed 3 X average monthly operating expenses.</p>		

* Inventories are not to be included in total current assets.

