

***NEW HANOVER TOWNSHIP
SCHOOL DISTRICT
AUDITORS MANAGEMENT REPORT
FISCAL YEAR ENDED JUNE 30, 2013***

NEW HANOVER SCHOOL DISTRICT

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

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CANNONE AND COMPANY, P.A.

Certified Public Accountants

485 Morris Avenue
Springfield, New Jersey 07081
(973) 379-6868
FAX (973) 379-6278

MEMBER:

American Society of Certified Public Accountants
New Jersey Society of Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
New Hanover Township School District
Wrightstown, New Jersey 08562
County of Burlington

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the New Hanover Township School District in the County of Burlington for the year ended June 30, 2013, and have issued our report thereon dated November 30, 2013.

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 for the information of the New Hanover Township School District Board of Education management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Nicholas A. Cannone
Licensed Public School Accountant
No. CS-02103
Cannone & Company, CPAs

November 30, 2013

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

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, 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 the Insurance Schedule contained in the Statistical Section of the District's CAFR.

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

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Maria Anne Parry, CPA, PSA	Board Secretary/School Business Administrator	\$175,000
Patrick Collum	Reconciling Agent	\$250,000

There is a Public Employees' Dishonesty Policy with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$250,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs did not vary significantly from estimated costs.

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 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 benefits withholding due to the general fund.

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

Reserve for Encumbrances and Accounts Payable

All encumbrances and accounts payable at June 30, 2012 were properly recorded and classified.

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-8.2. 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 Board Secretary's Records were found to be in order.

Treasurer's Records (optional position)

The Treasurer's Records were found to be in order.

Elementary and Secondary Education Act of 1965 (E.S.E.A.), as amended by the Improving America's Schools Act of 1994

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 Titles I and VI of the Elementary and Secondary Education Act as amended.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance and/or questionable costs.

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.

The study of compliance for the special projects did not indicate any areas of noncompliance.

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.

DEPA Accounting

Demonstrably Effective Program Aid (DEPA) was not received and expended by the school district.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with *N.J.S.A. 18A:18A-3* and *18A:39-3* are \$36,000 and \$26,000 respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is currently \$17,500.

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.

Based on the results of my examination, I 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 had been no advertising for bids in accordance with the provision of *N.J.S.A. 18A:18A-4*, amended.

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 financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

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 price meal 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 supply items were currently maintained and properly applied in determining the cost of food and supplies used.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education.

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.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

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

Student Body Activities

During our review of the Student Activity Funds, we did not note any areas of non-compliance.

Application for State School Aid

Our audit procedures included a test of information reported in the October Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, 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. The information that was included on the workpapers was verified. Any errors or exceptions were rectified. 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 2011-12 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 review, the district compiled 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 Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

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.

BOARD OF EDUCATION
NEW HANOVER TOWNSHIP SCHOOL DISTRICT
COUNTY OF BURLINGTON
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS - FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(MEMORANDUM ONLY)

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Over/ Under Claim</u>
National School Lunch	Paid	8,989	8,989	None	0.31	\$ None
	Reduced	3,001	3,001	None	2.52	None
	Free	13,551 <u>25,541</u>	13,551 <u>25,541</u>	None	2.92	<u>None</u>
School Breakfast	Paid	2,086	2,086	None	0.27	\$ None
	Reduced	741	741	None	1.55	None
	Free	8,323 <u>11,150</u>	8,323 <u>11,150</u>	None	1.85	<u>None</u>
Total Net (Over)/Underclaim		<u>36,691</u>	<u>36,691</u>	<u>None</u>		<u>\$ None</u>

BOARD OF EDUCATION
 NEW HANOVER TOWNSHIP SCHOOL DISTRICT
 COUNTY OF BURLINGTON
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2012

	2013-2014 Application for State School Aid				Sample for Verification				Private Schools for Disabled			
	Reported on A.S.S.A. on Roll		Workpapers On Roll		Errors		Reported on A.S.S.A. as Private Schools		Sample for Verification		Sample for Disabled	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool	15		15									
Full Day Preschool	30		30		15		15					
Half Day Kindergarten	8		8		30		30					
Full Day Kindergarten	21		21		8		8					
One	17		17		21		21					
Two	12		12		17		17					
Three	22		22		22		22					
Four	15		15		15		15					
Five	13		13		13		13					
Six	17		17		17		17					
Seven												
Eight												
Subtotal	170	0	170	0	170	0	170	0	170	0	0	0
Special Education:												
Elementary School	15		15		15		15		15			
Middle School	8		8		8		8		8			
Subtotal	23	0	23	0	23	0	23	0	23	0	0	0
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	193	0	193	0	193	0	193	0	193	0	0	0
Percentage Error			0.00%	0.00%			0.00%	0.00%			0.00%	0.00%

BOARD OF EDUCATION
 NEW HANOVER TOWNSHIP SCHOOL DISTRICT
 COUNTY OF BURLINGTON
 SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2012

	Low Income		Sample for Verification		LEP Low Income		Sample for Verification	
	Reported on A.S.S.A. as Low Income	Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
	Income	Errors		Errors	Income	Errors		Errors
Half Day Preschool	15		15					
Full Day Preschool	5		5					
Half Day Kindergarten	11		11					
Full Day Kindergarten	9		9					
One	5		5					
Two	11		11					
Three	9		9					
Four	5		5					
Five	13		13					
Six	6		6					
Seven	4		4					
Eight	10		10					
Subtotal	78	0	78	0	0	0	0	0
Special Education:								
Elementary School	8		8					
Middle School	5		5					
Subtotal	13	0	13	0	0	0	0	0
Co. Voc. - Regular								
Co. Voc. Ft. Post Sec.								
Totals	91	0	91	0	0	0	0	0
Percentage Error		0.00%		0.00%		0.00%		0.00%
Transportation								
	Reported on DRTRS by DOE	Reported on DRTRS by District	Tested	Verified	Errors		Reported	Re-Calculated
Regular - Public Schools	135.0	135.0	135.0	135.0		Average Mileage - Regular Including Grade PK stude	6.6	6.6
Regular - Special Education	5.0	5.0	5.0	5.0		Average Mileage - Regular Excluding Grade PK stude	6.8	6.8
Transported - Non-Public	0.0	0.0	0.0	0.0		Average Mileage - Special Ed with Special Needs	7.9	7.9
Special Ed Spec	13.0	13.0	13.0	13.0				
Totals	153.0	153.0	153.0	153.0	0.0			
Percentage Error					0.00%			

BOARD OF EDUCATION
 NEW HANOVER TOWNSHIP SCHOOL DISTRICT
 COUNTY OF BURLINGTON
 SCHEDULE OF AUDITED ENROLLMENTS (CONTINUED)
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2012

	LEP NOT Low Income		Sample for Verification		
	Reported on A.S.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	4	4	4	4	
Two	1	1	1	1	
Three	2	2	2	2	
Four	1	1	1	1	
Five	5	5	5	5	
Six					
Seven					
Eight					
Subtotal	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>0</u>
Special Education:					
Elementary School					
Middle School					
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	<u>13</u>	<u>13</u>	<u>13</u>	<u>13</u>	<u>0</u>
Percentage Error		<u>0.00%</u>			<u>0.00%</u>

**NEW HANOVER TOWNSHIP SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
As of June 30, 2013**

Section 1

A. 2% Calculation of Excess Surplus

2012-13 Total General Fund Expenditures per the CAFR	\$ 4,904,811
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 241,533
Assets Acquired under Capital Leases	-
Adjustment for Disallowed Expenditures per S1701	-
	<hr/>
Adjusted 12-13 General Fund Expenditures	\$ 4,663,278
2% of Adjusted 2012-13 General Fund Expenditures	\$ 93,266
The greater of \$250,000 or 2% of Adjusted General Fund Expenditures	250,000
Increased by Allowable Adjustment	<u>2,122,055</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 2,372,055</u>

Section 2

Total General Fund Balances @ 06/30/13	\$ 5,305,068
Decreased by:	
Year-end Encumbrances	\$ 28,396
Capital Reserve	100,108
Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures	38,367
Other Restricted Fund Balances	400,000
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>74,515</u>
Total Unassigned Fund Balance	\$ 4,663,682
Increased by:	
Adjustment for Disallowed Transfers per S1701	<u> </u>
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation	<u>\$ 4,663,682</u>

Section 3

Restricted Fund Balance - Excess Surplus	\$ <u>2,291,627</u>
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Recapitulation of Excess Surplus as of June 30, 2013

Reserved Excess Surplus -- Designated for Subsequent Year's Expenditures	\$ 38,367
Reserved Excess Surplus	<u>2,291,627</u>
Total	\$ 2,329,994

Detail of Allowable Adjustments

Impact Aid	\$ 2,104,519
Sale and Lease-back	
Extraordinary Aid	17,362
Additional Non Public School Transportation Aid	174
Unbudgeted TPAF Wage Freeze Grant Funding	
Higher Expectations for Learning and Proficiency Aid	<hr/>
Total Adjustments	\$ 2,122,055

Detail of Other Restricted Fund Balance

Statutory Restrictions:	
Approved unspent separate proposal	\$
Capital Outlay for a district with a Capital Outlay cap waiver	
Sale/Lease-Back Reserve	
Capital Reserve	
Maintenance Reserve	200,000
Emergency Reserve	
Tuition Reserve	200,000
Other State/Government Mandated Reserve	<hr/>
[Other Restricted Fund Balance not noted above]	-
Total Other Restricted Fund Balance	<u>\$ 400,000</u>