

Auditor's Management Report

for the

*Flemington-Raritan Regional
School District*

in the

*County of Hunterdon
New Jersey*

for the

*Fiscal Year Ended
June 30, 2009*

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

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Tax ID Number 22-6001805



SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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
Flemington-Raritan Regional School District
County of Hunterdon
Flemington, New Jersey 08822

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 Flemington-Raritan Regional School District in the County of Hunterdon, New Jersey, as of and for the year ended June 30, 2009, and have issued our report dated October 7, 2009.

In connection with our audit of the 2008-2009 basic financial statements of the Flemington-Raritan Regional School District, County of Hunterdon, New Jersey, we considered the District's internal control structure, its compliance with laws and regulations and other matters required by the New Jersey Department of Education. The results and findings of our procedures are described in the following Auditor's Management Report on Administrative Findings - Financial Compliance and Performance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Meal Count Activity - School Food Service Fund and the Schedule of Audited Enrollments Application for State School Aid and Calculation of Excess Surplus are not a required part of the basic financial statements of the Flemington-Raritan Regional School District but is supplementary information required by the New Jersey Department of Education. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

SUPLEE, CLOONEY & COMPANY

This report is intended solely for the information of the Flemington-Raritan Regional School District, County of Hunterdon, New Jersey, the New Jersey Department of Education and federal and state audit 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. 93

October 7, 2009

**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 Flemington-Raritan Regional 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>
Patricia Bader	Treasurer of School Monies	\$300,000.00
Stephanie Hope	Board Secretary/School Business Administrator	150,000.00

There is a Public Employee's Faithful Performance Blanket Position Bond with the Selective Insurance Company covering all other employees with multiple coverage of \$100,000.00.

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. The actual costs differed from the estimated costs. The Board made a proper adjustment to the billings to sending Districts for the change in per pupil costs in accordance with N.J.A.C.6A:23-3.1(f)3.

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.

**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 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.

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.

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

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.

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

**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./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 I, Title II A and D, Title III, Title IV and Title V 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.

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 \$17,500.00, 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 therefore, 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 \$25,000.00. Such authorization may be granted on 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 therefore, 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, 2005 the bid thresholds in accordance with N.J.S.A. 18A:18A-3(as amended) and 18A:39-3 is \$29,000.00 and \$16,500.00 respectively.

At its March 23, 2005 meeting, the Board appointed Stephanie Hope as the Qualified Purchasing Agent.

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.

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

SCHOOL PURCHASING PROGRAMS (CONTINUED)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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: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. My examination did reveal however, that the district did purchase goods through the use of state contracts.

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.

Cash receipts and bank records were review for timely deposit. No exceptions were noted.

The District utilizes a food service management company and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1.

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 appropriated 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 Services employees authorized by the board of education. No exceptions were noted.

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

SCHOOL FOOD SERVICE (CONTINUED)

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 claims were submitted in a timely manner. No exceptions were noted.

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 procedure for free and reduced price applications was completed and available for review. No exceptions were noted.

Food Distribution Program commodities were received and an inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

STUDENT BODY ACTIVITIES/ATHLETIC FUNDS

FLEMINGTON-RARITAN SCHOOL FUNDS

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

All receipts were promptly deposited in the bank.

Finding: Board procedures require two signatures on all student activity/athletic fund checks. Our audit disclosed that checks in the JP Case student activity account and the athletic account had only one signature.

Recommendation: That all student activity/athletic account checks contain two signatures, in accordance with Board procedures.

**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 15, 2008 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 2008-2009 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.

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

That all student activity/athletic account checks contain two signatures, in accordance with Board procedures.

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT

SCHEDULE OF MEAL COUNT ACTIVITY

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM

ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>
National School Lunch	Paid	221,064	221,064
	Reduced	10,841	10,841
	Free	<u>30,894</u>	<u>30,894</u>
	<u>TOTAL</u>	<u><u>262,799</u></u>	<u><u>262,799</u></u>

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2008

	2009-2010 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.A. On Roll			Reported on Workpapers On Roll			Errors			Sample Selected from Workpapers			Verified per Registers On Roll			Reported on A.S.A. as Private Schools
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		
Half Day Preschool	11			11						11			11			
Full Day Preschool	327			327						23			23			
Half Day Kindergarten	17			17						8			8			
Full Day Kindergarten	359			359						31			31			
One	386			386						30			30			
Two	360			360						32			32			
Three	353			353						33			33			
Four	337			337						35			35			
Five	368			368						32			32			
Six	333			333						33			33			
Seven	343			343						33			33			
Eight																
Nine																
Ten																
Eleven																
Twelve																
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	3,194			3,194						301			301			
Special Ed - Elementary	229			229						15			15			2
Special Ed - Middle School	172			172						15			15			3
Special Ed - CSSD																
Subtotal	401			401						30			30			5
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	3,595			3,595						331			331			5
Percentage Error							0%		0%						0%	0%

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2008

	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 LEP low Income	Reported on A.S.S.A. as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool	13	13		10	10		10	10		9	9	
Full Day Preschool	22	22		15	15		7	7		7	7	
Half Day Kindergarten	22	22		15	15		8	8		7	7	
Full Day Kindergarten	24	24		13	13		5	5		4	4	
One	25	25		14	14		3	3		2	2	
Two	25	25		15	15		4	4		4	4	
Three	20	20		12	12		2	2		3	3	
Four	22	22		14	14		3	3		2	2	
Five	24	24		18	18							
Six												
Seven												
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	197	197		126	126		47	47		40	40	
Special Ed - Elementary	35	35		20	20		2	2		2	2	
Special Ed - Middle	23	23		15	15							
Special Ed - High												
Subtotal	58	58		35	35		2	2		2	2	
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	255	255		161	161		49	49		42	42	
Percentage Error			0%			0%			0%			0%

Transportation				
Reported on DRTS by DOE/county	Reported on DRTS by District	Tested	Verified	Errors
1,843	1,843	260	260	
279	279	145	145	
99	99	88	88	
2,221	2,221	569	569	
Percentage Error				0%

Reg. - Public Schools, col. 1	1,843	260
Reg. - SpEd, col. 4	279	145
Transported - Non-Public, col. 3	99	88
Special Ed Spec, col. 6	2,221	569
Totals		
Percentage Error		0%

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2008

	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 and Register	Sample Errors
Half Day Preschool	14	14		14	
Full Day Preschool	2	2		2	
Half Day Kindergarten	6	6		6	
One	5	5		5	
Two					
Three	1	1		1	
Four	1	1		1	
Five	1	1		1	
Six					
Seven					
Eight	3	3		3	
Nine					
Ten					
Eleven					
Twelve					
Post-Graduate					
Adult H.S. (15+CR.)					
Adult H.S. (1-14 CR.)					
Subtotal	33	33		33	
Special Ed - Elementary					
Special Ed - Middle					
Special Ed - High					
Subtotal					
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	33	33		33	
Percentage Error			0%		0%

EXCESS SURPLUS CALCULATION

SECTION 1

2008-09 Total General Fund Expenditures per the CAFR, Ex. C-1	\$52,291,558.87
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>3,287,901.29</u>
Adjusted 08-09 General Fund Expenditures	\$49,003,657.58
2% of Adjusted 2008-09 General Fund Expenditures	<u>980,073.15</u>
Increase by: Allowable Adjustments:	
Additional Nonpublic School Transportation Aid	<u>22,620.00</u>
Total Adjustments	<u>22,620.00</u>
Maximum Unreserved/Undesignated Fund Balance	<u>1,002,693.15</u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-09	4,205,033.07
Decreased by:	
Reserve for Encumbrances	\$554,168.83
Other Reserved Fund Balance - Capital Reserve Account	8,979.70
Excess Surplus - Designated for Subsequent Year's Expenditures	1,100,761.17
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>315,798.83</u>
	<u>1,979,708.53</u>
Total Unreserved/Undesignated Fund Balance	2,225,324.54

SECTION 3

Reserved Fund Balance - Excess Surplus	<u>\$1,222,631.39</u>
<u>Recapitulation of Excess Surplus as of June 30, 2009</u>	
Reserved Excess Surplus-Designated for Subsequent Years Expenditures	\$1,100,761.17
Reserved Excess Surplus	<u>1,222,631.39</u>
Total	<u>\$2,323,392.56</u>

