

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, 2010*

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

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Tax ID Number 22-6001805



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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

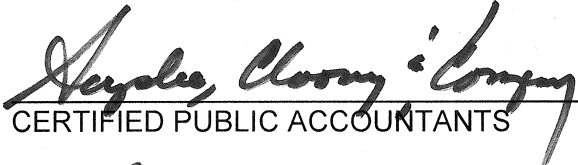
We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Flemington-Raritan Regional School District in the County of Hunterdon, New Jersey, as of and for the year ended June 30, 2010, and have issued our report dated October 29, 2010.

In connection with our audit of the 2009-2010 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. 962

October 29, 2010

**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
All Employees	Blanket Bond	500,000.00

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. 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 \$16,200.00 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.

Reading-Fleming Intermediate School

Finding: Documentation to support various financial transactions of the student activity account was not maintained and available for audit.

Recommendation: That documentation to support various financial transactions of the student activity account be maintained and available for audit.

**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, 2009 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 2009-2010 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

In accordance with government auditing standards, our procedures included a review of the status of prior year audit recommendations. Corrective action was taken on all prior year findings.

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

RECOMMENDATION

Reading-Fleming Intermediate School Activity Fund

That documentation to support various financial transactions of the student activity account be maintained and available for audit.

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, 2010

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>
National School Lunch	Paid	229,126	229,126
	Reduced	12,271	12,271
	Free	<u>35,405</u>	<u>35,405</u>
	<u>TOTAL</u>	<u><u>276,802</u></u>	<u><u>276,802</u></u>

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2009

	2010-2011 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.A. On Roll			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	14			14						14						
Full Day Preschool																
Half Day Kindergarten	277			277						25			25			
Full Day Kindergarten	29			29						15			15			
One	401			401						35			35			
Two	357			357						35			35			
Three	382			382						35			35			
Four	350			350						35			35			
Five	351			351						35			35			
Six	335			335						35			35			
Seven	377			377						35			35			
Eight	332			332						35			35			
Nine																
Ten																
Eleven																
Twelve																
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	3,205			3,205						334			334			
Special Ed - Elementary	254			254						20			20			
Special Ed - Middle School	162			162						20			20			
Special Ed - CSSD																
Subtotal	416			416						40			40			
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	3,621			3,621						374			374			
Percentage Error							0%						0%			0%

Half Day Preschool	One
Full Day Preschool	Two
Half Day Kindergarten	Three
Full Day Kindergarten	Four
	Five
	Six
	Seven
	Eight
	Nine
	Ten
	Eleven
	Twelve
Post-Graduate	
Adult H.S. (15+CR.)	
Adult H.S. (1-14 CR.)	
Subtotal	

Special Ed - Elementary	
Special Ed - Middle	
Special Ed - High	
Subtotal	
Co. Voc. - Regular	
Co. Voc. Ft. Post Sec.	
Totals	
Percentage Error	

Reg. - Public Schools, col. 1
Reg - SpEd, col. 4
Transported - Non-Public, col. 3
Special Ed Spec, col. 6
Totals
Percentage Error

**FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2009**

	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	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool	4	4	4	4	
Full Day Preschool	2	2	2	2	
Half Day Kindergarten	9	9	9	9	
Full Day Kindergarten	3	3	3	3	
One	3	3	3	3	
Two	3	3	3	3	
Three					
Four					
Five	2	2	2	2	
Six					
Seven	2	2	2	2	
Eight	1	1	1	1	
Nine					
Ten					
Eleven					
Twelve					
Post-Graduate					
Adult H.S. (15+CR.)					
Adult H.S. (1-14 CR.)					
Subtotal	26	26	26	26	
Special Ed - Elementary					
Special Ed - Middle					
Special Ed - High					
Subtotal					
Co. Voc. - Regular					
Co. Voc. Ft. Post Sec.					
Totals	26	26	26	26	
Percentage Error		0%		0%	

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT

SCHEDULE OF CALCULATION OF EXCESS SURPLUS

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus (2009-10 expenditures of \$100 million or less)

2009 - 2010 Total General Fund Expenditures	\$ 53,150,472.12	
Increased by:		
Transfer to Food Service Fund	_____	
Transfer from Capital Outlay to Capital Projects Fund	_____	
Transfer from Capital Reserve to Capital Projects Fund	_____	
Decreased by:		
On-Behalf TPAF Pension & Social Security	3,411,045.12	
Assets acquired under Capital Leases	_____	
Adjusted 2009 - 2010 General Fund Expenditures		\$ 49,739,427.00
2% of Adjusted 2009 - 2010 General Fund Expenditures		994,788.54
Greater of line above or \$250,000.00		994,788.54
Increased by: Allowable Adjustment		542,990.00
Maximum Unreserved/Undesignated Fund Balance		\$ 1,537,778.54

SECTION 2

Total General Fund Balances @ 6-30-10	\$ 4,584,672.39	
Decreased by:		
Reserved for Encumbrances	810,254.77	
Capital Reserve-Designated for Subsequent Year's Expenditures	_____	
Excess Surplus-Designated for Subsequent Year's Expenditures	1,222,631.39	
Other Reserved Fund Balances:		
Capital Reserve	72,524.85	
Maintenance Reserve	_____	
Unexpended Capital Projects	_____	
Unreserved-Designated for Subsequent Year's Expenditures	193,928.61	
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation		\$ 2,285,332.77

SECTION 3

Reserved Fund Balance-Excess Surplus	\$ <u>747,554.23</u>
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Recapitulation of excess surplus as of June 30, 2010

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>1,222,631.39</u>
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Reserved Excess Surplus	<u>747,554.23</u>
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Total	\$ <u>1,970,185.62</u>
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Detail of Allowable Adjustments

Extraordinary Aid	\$ 524,445.00
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Additional Non-Public School Transportation Aid	<u>18,545.00</u>
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	\$ <u>542,990.00</u>
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