

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, 2007*

**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, 2007, and have issued our report dated October 8, 2007.

In connection with our audit of the 2006-2007 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 8, 2007

**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 increase 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 \$21,000.00, 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 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 \$29,000.00. Such authorization may be granted or 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 \$21,000.00 and \$15,000.00 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

FLEMINGTON-RARITAN SCHOOL FUNDS

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

All receipts were promptly deposited in the bank.

ATHLETIC FUND

A cash receipts and disbursement record was 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 13, 2006 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 2006-2007 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 SCC grant agreement for consistency with recording SCC 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

NONE

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, 2007

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>
National School Lunch	Paid	216,036	216,036
	Reduced	5,717	5,717
	Free	<u>22,130</u>	<u>22,130</u>
	<u>TOTAL</u>	<u><u>243,883</u></u>	<u><u>243,883</u></u>

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2006

	Private School for Handicapped				Private Schools Related Services				Low Income				Sample for Verification			
	Reported on A.S.S.A. as Private Schools	Sample Verifi- cation	Sample Verified	Sample Errors	Sample Verifi- cation	Sample Verified	Sample Errors	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Sample Verified to Application and Register	Sample Selected from Workpapers	Sample Verified to Application and Register	Sample Errors	Sample Errors
Half Day Kindergarten																
One									26				16		16	
Two								23	23			14	14		14	
Three								14	14			9	9		9	
Four								14	14			9	9		9	
Five								14	14			9	9		9	
Six								17	17			11	11		11	
Seven								12	12			7	7		7	
Eight								14	14			9	9		9	
Subtotal								134	134			84	84		84	
Tier II Elementary	1	1	1					5	5			3	3		3	
Tier II Middle School								3	3			2	2		2	
Tier III Elementary	3	3	3					11	11			7	7		7	
Tier III Middle School	3	3	3					16	16			10	10		10	
Tier IV Elementary	5	5	5					9	9			6	6		6	
Tier IV Middle School	12	12	12					3	3			2	2		2	
Subtotal								47	47			30	30		30	
Totals	12	12	12					181	181			114	114		114	
Percentage				0.0%						0.0%						0.0%

Transportation					
Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
1743	1743		230	230	
28	28		4	4	
89	89		12	12	
174	174		26	26	
2034	2034		272	272	

Percentage

Bilingual Education					
Reported on A.S.S.A. as Bilingual Education	Reported on Workpapers as Bilingual Education	Errors	Sample Selected From Workpapers	Sample Verified to Test Score and Register	Sample Errors
81	81		62	62	
		0.0%			0.0%

Percentage

FLEMINGTON-RARITAN REGIONAL SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2006

	2007-08 Application for State School Aid						Sample for Verification				Errors per Registers on Roll			On Roll Related Services		
	Reported on A.S.A. on Roll			Reported on Workpapers on Roll			Sample Selected from Workpapers		Verified per Registers on Roll		Full		Shared		Sample for Verification	
	Full	Shared		Full	Shared		Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Verified	Sample Errors
Half Day Preschool	3			3			2		2							
Half Day Kindergarten	346			346			31		31							
One	374			374			34		34							
Two	351			351			32		32							
Three	338			338			30		30							
Four	366			366			33		33							
Five	322			322			29		29							
Six	345			345			31		31							
Seven	383			383			34		34							
Eight	374			374			34		34							
Subtotal	3202			3202			290		290							
Tier II Elementary	44			44			21		21							
Tier II Middle School	41			41			19		19							
Tier III Elementary	98			98			47		47						5	
Tier III Middle School	83			83			40		40							
Tier IV Elementary	97	2		97	2		47		47							
Tier IV Middle School	21			21			10		10							
Subtotal	384	2		384	2		184		184						5	
Totals	3586	2		3586	2		474		474						5	
Percentage											0.0%		0.0%			0.0%

EXCESS SURPLUS CALCULATION

SECTION 1

2006-07 Total General Fund Expenditures per the CAFR, Ex. C-1		\$49,345,651.72
Decreased by:		
On-Behalf TPAF Pension and Social Security		<u>4,137,821.57</u>
Adjusted 06-07 General Fund Expenditures		\$45,207,830.15
2% of Adjusted 2006-07 General Fund Expenditures		<u>904,156.60</u>
Increase by: Allowable Adjustments:		
Extraordinary Aid	\$154,362.00	
Additional Nonpublic School Transportation Aid	<u>14,820.89</u>	
Total Adjustments		<u>169,182.89</u>
Maximum Unreserved/Undesignated Fund Balance		<u>1,073,339.49</u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-07		4,565,711.19
Decreased by:		
Reserve for Encumbrances	\$658,918.27	
Other Reserved Fund Balance - Capital Reserve Account	174,266.40	
Excess Surplus - Designated for Subsequent Year's Expenditures	1,213,295.90	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>429,331.10</u>	
		<u>2,475,811.67</u>
Total Unreserved/Undesignated Fund Balance		2,089,899.52

SECTION 3

Reserved Fund Balance - Excess Surplus		<u>\$1,016,560.03</u>
<u>Recapitulation of Excess Surplus as of June 30, 2007</u>		
Reserved Excess Surplus-Designated for Subsequent Years Expenditures		\$1,213,295.90
Reserved Excess Surplus		<u>1,016,560.03</u>
Total		<u>\$2,229,855.93</u>

