

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF THE
TOWNSHIP OF WEST MILFORD
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2017**

SCHOOL DISTRICT OF THE TOWNSHIP OF WEST MILFORD
COUNTY OF PASSAIC, NEW JERSEY

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE

	<u>Page</u> <u>No.</u>
Independent Auditors' Report	1
Scope of Audit	2
Administrative Practices and Procedures	2
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	2
Examination of Claims	2
Payroll Account and Position Control Roster	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	4
Fixed Assets	4
Elementary and Secondary Education (E.S.E.A.)/Improving America's School Act (I.A.S.A.) as reauthorized by the No Child Left Behind Act of 2001	4
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
T.P.A.F. Reimbursement to the State for Federal Salary Expenditures	5
School Purchasing Programs	5
School Food Service	6
Student Body/Athletic Account Activities	8
Application for State School Aid	9
Pupil Transportation	9
Follow-up on Prior Years' Finding	10
Acknowledgment	10
Number of Meals Served and (Over)/Underclaims - Federal	11
Number of Meals Served and (Over)/Underclaims - State	12
Schedule of Audited Enrollments	13 - 15
Excess Surplus Calculation	16 - 18

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkocz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, NJ 07860
973-579-3212
Fax 973-579-7128

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Township of West Milford School District
County of Passaic, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Township of West Milford School District in the County of Passaic for the year ended June 30, 2017, and have issued our report thereon dated November 29, 2017.

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 Township of West Milford Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Charles J. Ferraioli, Jr., C.P.A.
Licensed Public School Accountant
No. 749

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.
Certified Public Accountants

Pompton Lakes, New Jersey

November 29, 2017

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Barbara Francisco	Board Secretary/School Business Administrator	\$450,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Zurich Insurance Co. covering all other employees with multiple coverage of \$500,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease in pupil costs in accordance with N.J.A.C. 6A:23A-17.1 (F)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account and Position Control Roster

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.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

Financial Planning, Accounting and Reporting (continued)

Payroll Account and Position Control Roster (continued)

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 premium withholding due to the General Fund.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrators) to the NJ Department of Treasury was filed by the March 15 due date.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

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.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30th for goods not yet received or services not rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for priority and to determine that goods were received and services were rendered as of June 30, 2017.

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-8.3*. As a result of the procedures performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

Financial Planning, Accounting and Reporting (continued)

Board Secretary's Records

The Board Secretary's records were in satisfactory condition.

Fixed Assets

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Elementary and Secondary Education ACT (E.S.E.A.)/Improving America's School Act (I.A.S.A.) As Reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A./N.C.L.B. 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, II, and III of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no 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 special projects indicated no areas of noncompliance.

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.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

Financial Planning, Accounting and Reporting (continued)

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments be made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term 'competitive contracting', which is defined as "the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received." Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a "Qualified Purchasing Agent" (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted."

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agency) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

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 provision of *N.J.S.A. 18A:18A-4*, amended.

Resolutions were adopted authorizing the awarding of contract or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

School Food Service

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded 100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The Statement of Revenues, Expenses, and Changes in Fund Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold. The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. Cash receipts and bank records were reviewed for timely deposit, there were no major exceptions noted.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The operating results provision has been met.

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.

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.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

School Food Service (continued)

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.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy, however, the following errors were found. The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

U.S.D.A. Food Distribution Program food and/or commodities were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The School District Food Service Management Company maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G, of the CAFR.

Finding 2017-01:

There were multiple instances where the Edit Check Worksheets used to claim meals for reimbursement under Federal and State programs did not agree to the Daily Sale Reports generated by the POS system.

Recommendation:

That the process of submitting meals for reimbursement be reviewed.

Management Response:

A new spreadsheet has been developed to cross check the reimbursement requests with the daily sales reports.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

Student Body/Athletic Account Activities

The cash receipts and disbursement records were maintained in good order.

Finding 2017-02:

In a few instances, Student Activity purchases were missing supporting documentation/invoices.

Recommendation:

That all Student Activity purchases be supported with appropriate invoices or receipts.

Management Response:

The Business Administrator will reinforce the steps required for purchases made through the student activity accounts.

Finding 2017-03:

The High School Student Activities Account and High School Athletic Account have uncleared checks from before year-end of more than 180 days.

Recommendation:

That outstanding checks over 180 days be reviewed for cancellation.

Management Response:

The Business Office will review the outstanding checks' status with the High School and Athletics Departments and prepare a resolution needed to void or reissue the stale dated checks.

Finding 2017-04:

In a few instances, Student Activity purchases were found to be for purposes other than Student Activities.

Recommendation:

That Student Activity accounts be used only for the benefit of the students.

Management Response:

The Business Administrator will review the appropriate use of student activity account funds with building Principals.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2016 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 and the information that was included on the workpapers was verified with the following 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.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exceptions. 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. No exceptions were noted in our review of transportation related purchases of goods and services.

Finding 2017-05:

Five (5) students classified as Special Education Transported on the DRTRS were listed as Regular Education students on the School Registers.

Recommendation:

That all student classifications agree between the DRTRS and the School Registers.

Management Response:

The Transportation Supervisor will be responsible for the coordination of information between DRTRS and the school registers.

Finding 2017-06:

In some instances, Form B6Ts, Application for Private School Transportation, were incomplete and all forms tested were not noted as approved by the Supervisor of Transportation.

Recommendation:

That all Form B6Ts be complete and approved by the Supervisor of Transportation.

TOWNSHIP OF WEST MILFORD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2017

Pupil Transportation (continued)

Management Response:

The Transportation Supervisor is required to review and approve the B6T's for aid in lieu payments each year. The newly hired Transportation Supervisor is aware of this responsibility.

Follow-up on Prior Years' Findings

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



Charles J. Ferraioli, Jr., C.P.A.
Licensed Public School Accountant
No. 749

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

Certified Public Accountants

SCHEDULE OF MEAL COUNT ACTIVITY

TOWNSHIP OF WEST MILFORD SCHOOL DISTRICT
FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL
ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	186,863	9,272	9,204	(68)	0.30	(20.40)
	Reduced	12,664	615	615	-	2.76	-
	Free	53,723	2,603	2,614	11	3.16	34.76
	Total	253,250	12,490	12,433	(57)		14.36
School Breakfast (Regular Rate)	Paid	825	38	38	-	0.29	-
	Reduced	149	5	5	-	1.41	-
	Free	3,907	194	194	-	1.71	-
	Total	4,881	237	237	-		-
School Breakfast (Severe Need Rate)	Paid	41	2	2	-	0.29	-
	Reduced	186	7	7	-	1.74	-
	Free	901	37	37	-	2.04	-
	Total	1,128	46	46	-		-
Total Net (Over) / Under Claim							\$ 14.36

SCHEDULE OF MEAL COUNT ACTIVITY

TOWNSHIP OF WEST MILFORD SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - STATE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	186,863	9,272	9,204	(68)	0.04	(2.72)
	Reduced	12,664	615	615	-	0.055	-
	Free	53,723	2,603	2,614	11	0.055	0.61
	Total	253,250	12,490	12,433	(57)		(2.12)
Total Net (Over) / Under Claim							\$ (2.12)

SCHEDULE OF AUDITED ENROLLMENTS

WEST MILFORD SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016

2017-2018 Application for State School Aid

	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registrars On Roll		Errors per Registrars On Roll		Reported on Private Schools		Private Schools for Disabled		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	Reported on A.S.S.A. as Private Schools	Sample Verification	Sample Errors	
Half Day Preschool-3YR	6		6				6		6								
Half Day Preschool-4YR	10		10				10		10								
Full Day Kindergarten	196		196				196		196								
One	203		203				203		203								
Two	207		207				207		207								
Three	232		232				232		232								
Four	193		193				193		193								
Five	216		216				216		216								
Six	209		209				209		209								
Seven	206		206				206		206								
Eight	219		219				219		219								
Nine	191		191				191		191								
Ten	238		238				238		238								
Eleven	224		224				224		224								
Twelve	216		216				216		216								
Subtotal	2766	0	2766	0	0	0	2766	0	2766	0	0	0	0	0	0	0	
Special Ed - Elementary	219		219				71		71				23	18	18		
Special Ed - Middle School	155		155				50		50				18	14	14		
Special Ed - High School	235		235				76		76				20	15	15		
Subtotal	609	0	609	0	0	0	197	0	197	0	0	0	61	47	47	0	
Total	3375	0	3375	0	0	0	2963	0	2963	0	0	0	61	47	47	0	
Percent Error					0.00%	0.00%					0.00%	0.00%					0%

SCHEDULE OF AUDITED ENROLLMENTS

**WEST MILFORD SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016**

Enrollment Category	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Error	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Error
Half Day Preschool	26	26		10	10							
Full Day Kindergarten	31	31		12	12							
One	34	34		13	13		1	1		1		1
Two	36	36		13	13							
Three	28	28		11	11							
Four	15	15		6	6							
Five	34	34		13	13							
Six	28	28		11	11							
Seven	33	33		12	12							
Eight	19	19		7	7							
Nine	31	31		12	12							
Ten	25	25		9	9							
Eleven	26	26		10	10							
Twelve												
Subtotal	366	366	0	139	139	0	1	1	0	1	1	0
Special Ed - Elementary	58	58		22	22		1	1		1	1	
Special Ed - Middle School	44	44		17	17		1	1		1	1	
Special Ed - High School	51	51		19	19							
Subtotal	153	153	0	58	58	0	2	2	0	2	2	0
Total	519	519	0	197	197	0	3	3	0	3	3	0
Percent Error			0.00%			0.00%			0%			0%

SCHEDULE OF AUDITED ENROLLMENTS
WEST MILFORD SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2016

Enrollment Category	Resident LEP NOT Low Income			Sample for Verification		
	Reported on ASSA as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Error
Half Day Preschool	3	3		2	2	
Full Day Kindergarten	1	1		1	1	
One						
Two						
Three	2	2		2	2	
Four						
Five	1	1		1	1	
Six						
Seven						
Eight	1	1		1	1	
Nine	2	2		2	2	
Ten						
Eleven						
Twelve	1	1		1	1	
Subtotal	11	11	0	10	10	0
Special Ed - Elementary						
Special Ed - Middle School						
Special Ed - High School						
Subtotal	0	0	0	0	0	0
Total	11	11	0	10	10	0
Percent Error			0%			0%
Regular - Public Schools, col. 1	Reported on DRTRS by DOE/county 1,781	Reported on DRTRS by District 1,781	Errors 0	Tested 279	Verified 279	Errors 0
Regular - SpEd, col. 4	485	485	0	197	189	8
Transported - Non-Public, col. 2	46	46	0	40	0	40
Special Ed Spec, col. 6	35	35	0	30	30	0
Totals	2,347	2,347	-	546	488	48
Percentage Error			0.00%			8.79%

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT/CHARTER SCHOOL/RENAISSANCE SCHOOL PROJECT

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex.C-1	\$ <u>77,245,574.26</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>1,562,360.00</u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>8,067,583.19</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u>227,981.89</u>	(B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>70,512,369.18</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ <u>1,410,247.38</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>1,410,247.38</u>	(B5)
Increased by: Allowable Adjustment *	\$ <u>24,579.00</u>	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>1,434,826.38</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>8,845,137.91</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ <u>732,086.35</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>2,940,264.00</u>	(C3)
Other Restricted Fund Balances****	\$ <u>1,689,804.82</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ _____	(C5)
Additional Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	\$ _____	(C6)*****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u>3,482,982.74</u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 2,048,156.36 (E)

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ 2,940,264.00	(C3)
Reserved Excess Surplus ***[(E)]	\$ 2,048,156.36	(E)
Total Excess Surplus [(C3) + (E)]	\$ <u>4,988,420.36</u>	(D)

Footnotes:

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
 - (H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ 24,579.00	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Family Crises Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+{I)+(J1)+(J2)+(J3)]	\$ <u>24,579.00</u>	(K)

** This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2017 CAFR and must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

***** Increase in Assigned Fund Balance-Unreserved-Designated for Subsequent Year's expenditures July 1, 2017 to August 1, 2017 resulting from decrease in state aid after adoption of 2017-18 district budget.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	<u> </u>
Sale/Lease-back reserve	\$	<u> </u>
Capital reserve	\$	<u>1,189,804.82</u>
Maintenance reserve	\$	<u>500,000.00</u>
Emergency reserve	\$	<u> </u>
Tuition reserve	\$	<u> </u>
School Bus Advertising 50% Fuel Offset Reserve-Current Year	\$	<u> </u>
School Bus Advertising 50% Fuel Offset Reserve-Prior Year	\$	<u> </u>
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	<u> </u>
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$	<u> </u>
Other state/government mandated reserve	\$	<u> </u>
[Other Restricted Fund Balance not noted above]****	\$	<u> </u>
Total Other Restricted Fund Balance	\$	<u>1,689,804.82 (C4)</u>

**TOWNSHIP OF WEST MILFORD
BOARD OF EDUCATION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RECOMMENDATIONS:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

Finding 2017-01:

There were multiple instances where the Edit Check Worksheets used to claim meals for reimbursement under Federal and State programs did not agree to the Daily Sale Reports generated by the POS system. Additionally, paid meals were served to parents at the Apshawa School on June 2, 2017 (Field Day). These meals were included in the June submission for reimbursement of meals served under Federal and State Programs.

Recommendation:

That the process of submitting meals for reimbursement be reviewed.

5. Student Activity Fund

Finding 2017-02:

In a few instances, Student Activity purchases were missing supporting documentation/invoices.

Recommendation:

That all Student Activity purchases be supported with appropriate invoices or receipts.

Finding 2017-03:

The High School Student Activities Account and High School Athletic Account have uncleared checks from before year-end of more than 180 days.

Recommendation:

That outstanding checks over 180 days be reviewed for cancellation.

**TOWNSHIP OF WEST MILFORD
BOARD OF EDUCATION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

RECOMMENDATIONS (Continued):

5. Student Activity Fund (continued)

Finding 2017-04:

In a few instances, Student Activity purchases were found to be for purposes other than Student Activities (i.e. faculty yoga, teacher appreciation gifts and office supplies).

Recommendation:

That Student Activity accounts be used only for the benefit of the students.

6. Application for State School Aid

None

7. Pupil Transportation

Finding 2017-05:

Five (5) students classified as Special Education Transported on the DRTRS were listed as Regular Education students on the School Registers.

Recommendation:

That all student classifications agree between the DRTRS and the School Registers.

Finding 2017-06:

In some instances, Form B6Ts, Application for Private School Transportation, were incomplete and all forms tested were not noted as approved by the Supervisor of Transportation.

Recommendation:

That all Form B6Ts be complete and approved by the Supervisor of Transportation.

8. Facilities and Capital Assets

None

9. Miscellaneous

None

**TOWNSHIP OF WEST MILFORD
BOARD OF EDUCATION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(CONTINUED)**

RECOMMENDATIONS (Continued):

10. Follow-up on Prior Year Findings

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings except those denoted with an asterisk(*).