

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
COUNTY OF BERGEN
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
COUNTY OF BERGEN
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FISCAL YEAR ENDED JUNE 30, 2018
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Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

January 18, 2019

The Honorable President and Members
of the Board of Education
Borough of Franklin Lakes School District
County of Bergen, NJ

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 financial statements of the Board of Education of the Borough of Franklin Lakes School District in the County of Bergen for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 18, 2019.

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 letter does not affect our report dated January 18, 2019, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

This report is intended for the information of the Borough of Franklin Lakes School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Nisivoccia, LLP

NISIVOCCIA, LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018

Scope of Audit

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

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

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Nancy Ciavaglia	Treasurer	\$ 250,000
Michael J. Solokas	Board Secretary/School Business Administrator	250,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than 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:23A-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account and Position Control Roster

The net salaries of employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and certified by the President of the Board, the School Business Administrator and the Superintendent.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholdings 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 administrator) to the New Jersey Department of Treasury was filed by the March 15th due date.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders as of June 30 was made on a test basis for proper classification of orders a reserve for encumbrances and accounts payable.

Classification of General and Administrative 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. In addition to randomly selecting a test sample, we reviewed administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, no significant transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained herein within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title II and IV of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for the E.S.E.A. did not indicate any area of noncompliance.

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.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

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.

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2018. The reimbursement form was reviewed and 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, 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 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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. 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 the year in which it is made"

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"

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 Agent) 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 \$19,000 for 2017-18.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

In accordance with N.J.S.A. 18A:18A-3, the Board passed a resolution designating the Business Administrator as a qualified purchasing agent and increasing the bid threshold to \$40,000.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Attorney'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. None were noted.

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.

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.

School Food Service (Milk Fund)

The School Food Service (Milk Fund) Program was not selected as a major federal program. We inquired of school management as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Student Body Activities (Cont'd)

Finding:

Our examination of the student body activities collections for the Franklin Avenue Middle School revealed that the actual date of receipt was not recorded in all cases.

Recommendation:

It is recommended that the Franklin Avenue Middle School record the actual date of receipt for student body activities collections in all cases.

Management's Response:

Procedures will be reviewed and consistently applied to ensure that, in all cases, the Franklin Avenue Middle School records the actual date of receipt for student body activities collections.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, and bilingual students. 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 information that was included on the workpapers was verified 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's written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2017-2018 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. No exceptions were noted in our review of transportation related purchases of goods and services.

Testing for Lead of All Drinking Water in Educational Facilities

The District did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements 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.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel be preapproved by the Board of Education and Superintendent and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.

Finding:

During our review of travel expense reimbursements, we found some instances where required supporting documentation was not obtained prior to reimbursement.

Recommendation:

It is recommended that required supporting documentation is obtained prior to reimbursement of travel expenses.

Management's Response:

The Business Office will ensure that required supporting documentation is obtained prior to the release of travel expense reimbursements.

Status of Prior Year's Findings/Recommendations

The prior year audit finding with regard student body activities collections for the Franklin Avenue Middle School has not been completely resolved.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	2018-2019 Application for State School Aid						Sample for Verification					
	Reported on Revised ASSA		Reported on Workpapers		Errors		Sample Selected from Workpapers		Registers On Roll		Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool 3 Years Old	11		11				11		11			
Full Day Preschool 4 Years Old	11		11				11		11			
Full Day Kindergarten	90		90				90		90			
Grade One	85		85				85		85			
Grade Two	82		82				82		82			
Grade Three	107		107				107		107			
Grade Four	96		96				96		96			
Grade Five	114		114				114		114			
Grade Six	95		95				95		95			
Grade Seven	118		118				118		118			
Grade Eight	122		122				122		122			
Subtotal	931		931				931		931			
Special Education:												
Elementary	117		117				14		14			
Middle	79		79				8		8			
Subtotal	196		196				22		22			
Totals	1,127	-0-	1,127	-0-	-0-	-0-	953	-0-	953	-0-	-0-	-0-
Percentage Error					0.00%	0.00%				0.00%	0.00%	0.00%

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	Private Schools for Disabled			Resident Low Income				
	Reported on ASSA as Private Schools	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Preschool								
Full Day Kindergarten				1	1			
Grade Three				3	3	1	1	
Grade Four								
Grade Five				1	1			
Grade Six				2	2	1	1	
Grade Seven								
Grade Eight								
Subtotal				7	7	2	2	
Special Education:								
Elementary School	4	1	1					
Middle School	4	1	1	1	1	1	1	
Subtotal	8	2	2	1	1	1	1	
Totals	8	2	2	8	8	3	3	- 0 -
Percentage Error			0.00%			0.00%		0.00%

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

Resident LEP Not Low Income						
	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Full Day Kindergarten						
Grade One	4	4		1	1	
Grade Two						
Grade Three	3	3		1	1	
Grade Four	4	4				
Grade Five	1	1		1	1	
Grade Six	1	1		1	1	
Subtotal	<u>13</u>	<u>13</u>		<u>4</u>	<u>4</u>	
Special Education:						
Elementary School						
Middle School	<u>2</u>	<u>2</u>		<u>1</u>	<u>1</u>	
Subtotal	<u>2</u>	<u>2</u>		<u>1</u>	<u>1</u>	
Totals	<u><u>15</u></u>	<u><u>15</u></u>	<u><u>-0-</u></u>	<u><u>5</u></u>	<u><u>5</u></u>	<u><u>-0-</u></u>
Percentage Error			<u><u>0.00%</u></u>			<u><u>0.00%</u></u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	290	290		25	25	
Regular - Special Education	64	64		8	8	
Transported - Non Public	20	20		4	4	
AIL - Non Public	84	84		10	10	
Special Needs - Public	1	1		1	1	
Special Needs - Private	7	7		3	3	
Totals	466	466	-0-	51	51	-0-
Percentage Error			0.00%			0.00%

	Reported	Recalculated
Average Mileage - Regular Including Grade PK Students	3.9	3.9
Average Mileage - Regular Excluding Grade PK Students	3.9	3.9
Average Mileage - Special Education with Special Needs	6.8	6.8

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2018

REGULAR DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 33,550,056</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	<u>\$</u> (B1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>\$</u> (B1b)
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>\$ 4,132,074</u> (B2a)
Assets Acquired Under Capital Leases	<u>\$ 356,206</u> (B2b)
Adjusted 2017-18 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 29,061,776</u> (B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	<u>\$ 581,236</u> (B4)
Enter Greater of (B4) or \$250,000	<u>\$ 581,236</u> (B5)
Increased by: Allowable Adjustments	<u>\$ 62,774</u> (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	<u>\$ 644,010</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2018 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 4,349,771</u> (C)
Decreased by:	
Year-End Encumbrances	<u></u> (C1)
Legally Restricted:	
Designated for Subsequent Year's Expenditures	<u>\$</u> (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 500,000</u> (C3)
Other Restricted Fund Balances	<u>\$ 2,705,761</u> (C4)
Assigned Fund Balance:	
Unreserved - Designated for Subsequent Year's Expenditures	<u>\$</u> (C5)
Additional Assigned Fund Balance:	
Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	<u>\$</u> (C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	<u>\$ 1,144,010</u> (U1)

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

SECTION 3

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0- \$ 500,000 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures \$ 500,000 (C3)
Restricted Excess Surplus [(E)] \$ 500,000 (E)

Total Excess Surplus [(C3)+(E)] \$ 1,000,000 (D)

Detail of Allowable Adjustments

Impact Aid \$ -0- (H)
Sale & Lease-back \$ -0- (I)
Extraordinary Aid \$ 35,266 (J1)
Additional Nonpublic School Transportation Aid \$ 27,508 (J2)
Current Year School Bus Advertising Revenue Realized \$ -0- (J3)
Family Crisis Transportation Aid \$ -0- (J4)

Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)] \$ 62,774 (K)

Detail of Other Restricted Fund Balances

Statutory Restrictions:

Approved Unspent Separate Proposal \$ -0-
Sale/Lease-back Reserve \$ -0-
Capital Reserve \$ 2,605,761
Maintenance Reserve \$ -0-
Emergency Reserve \$ 100,000
Tuition Reserve \$ -0-
School Bus Advertising 50% Fuel Offset Reserve - Current Year \$ -0-
School Bus Advertising 50% Fuel Offset Reserve - Prior Year \$ -0-
Impact Aid General Fund Reserve (Sections 8002 and 8003) \$ -0-
Impact Aid General Fund Reserve (Sections 8007 and 8008) \$ -0-
Other State/Government Mandated Reserve \$ -0-
Other Restricted Fund Balances Not Noted Above \$ -0-

Total Other Restricted Fund Balances \$ 2,705,761 (C4)

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
None
3. School Purchasing Program
None
4. School Food Service
None
5. Student Body Activities
The Franklin Avenue Middle School record the actual date of receipt for student body activities collections in all cases.
6. Application for State School Aid
None
7. Pupil Transportation
None
8. Facilities and Capital Assets
None
9. Travel Expense and Reimbursement Policy
Required supporting documentation is obtained prior to reimbursement of travel expenses.
10. Status of Prior Year's Findings/Recommendations
The prior year audit finding with regard student body activities collections for the Franklin Avenue Middle School has not been completely resolved.