

**FREDON TOWNSHIP SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

**FREDON TOWNSHIP SCHOOL DISTRICT
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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LERCH, VINCI & HIGGINS, LLP

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Honorable President and Members
of the Board of Education
Fredon Township School District
Newton, 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 Fredon Township School District, County of Sussex, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 9, 2019.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey 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 and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
December 9, 2019

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, 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 the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Joanne Black	School Business Administrator	\$200,000
Kerry Keane	Treasurer of School Monies	200,000

There is a Public Employees' Faithful Performance Blanket Position Bond with School Alliance Insurance Fund covering all other employees with multiple coverage of \$50,000.

Financial Planning, Accounting and Reporting

Examination of Claims

We performed an examination of claims paid during the period under review with respect to each of signatures, certification or supporting documentation.

Finding – Our audit indicated certain instances where the required receipt of goods and/or payment approval signatures were not obtained on the purchase order.

Recommendation - In all instances, receipt of goods and payment approval signatures be obtained on district purchase orders prior to payment being made to vendor.

Payroll Account

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.

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

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the General Fund

Finding – Our audit indicated that the district did not independently verify payroll tax remittances paid by the third party payroll provider.

Recommendation - Federal and state payroll taxes remitted by the third party payroll provider be independently verified by the District.

The District filed the required certification (ECERT1) of compliance with requirements for income tax on compensation of administrators with the New Jersey Department of Treasury by the March 15 due date.

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet 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 propriety and to determine that goods were received and services were rendered, as of June 30.

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, no transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding – Our audit indicated that certain payments for employee travel were not supported by the required purpose and relevance form.

Recommendation - Post-travel purpose and relevance forms be obtained prior to reimbursements being paid to employees for travel expenses.

Board Secretary's and Treasurer's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the minutes.

The prescribed contractual order system was followed.

Cash reconciliations for the general operating account, payroll account and payroll agency account were performed.

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

The E.S.E.A. 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 and II of the Elementary and Secondary Education Act as amended.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

Our audit of the 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 contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 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

The bid thresholds are in accordance with N.J.S.A. 18A:18A-2 (as amended) 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 transportation contracts under N.J.S.A. 18A:39-3 is \$19,000 for 2018-19.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board 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. Our audit noted no violations occurred.

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. Our examination did reveal, however, that purchases were made through the use of State contracts.

Food Service Fund

The Statement of Revenues, Expenses, and Changes in 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 maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

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 vouchers were timely filed and meals claimed did agree with meal count records.

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Food Service Fund (Continued)

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

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.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

The District had contracted with Maschio's to operate and manage its food service program for 2018/19.

Provisions of the food service management company (FSMC) contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Net cash resources did not exceed three months average expenditures.

Student Activity Funds

The Board has a policy which clearly established the regulation of student activity funds.

All disbursements were supported by proper documentation.

Finding – Our audit indicated that monies collected were not turned over to the business office for deposit in a timely manner.

Recommendation - It is recommended that monies collected be turned over to the business office for deposit in a timely manner.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low income, related services 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 with minor exceptions. The information that was included on the workpapers was verified with minor exceptions. 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.

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Pupil Transportation

Our procedures included a test of on roll status reported in the 2018-19 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 purpose of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The school district submitted the annual Statement of Assurance to the Department of Education pursuant to N.J.A.C. 6A:26-12.4(g).

Follow-up on Prior Year Findings

There were no prior year findings.

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

FREDON BOARD OF EDUCATION

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

	2019-20 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	14	-	14	-	-	-	14	-	14	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	14	-	14	-	-	-	14	-	14	-	-	-	-	-	-	-
One	21	-	21	-	-	-	21	-	21	-	-	-	-	-	-	-
Two	24	-	24	-	-	-	24	-	24	-	-	-	-	-	-	-
Three	21	-	21	-	-	-	21	-	21	-	-	-	-	-	-	-
Four	28	-	28	-	-	-	28	-	28	-	-	-	-	-	-	-
Five	19	-	19	-	-	-	19	-	19	-	-	-	-	-	-	-
Six	26	-	26	-	-	-	26	-	26	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14 CR.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	167	-	167	-	-	-	167	-	167	-	-	-	-	-	-	-
Special Ed - Elementary	16	-	16	-	-	-	14	-	14	-	-	-	-	-	-	-
Special Ed - Middle School	6	-	6	-	-	-	5	-	5	-	-	-	-	-	-	-
Special Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	22	-	22	-	-	-	19	-	19	-	-	-	-	-	-	-
Co. Voc. - Regular	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. Ft. Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	189	-	189	-	-	-	186	-	186	-	-	-	-	-	-	-
Percentage Error					0.00%	#####					###	#####				#DIV/0!

SCHEDULE OF AUDITED ENROLLMENTS

**FREDON TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	2	2	-	1	1	-	-	-	-	-	-	-
One	2	2	-	2	2	-	-	-	-	-	-	-
Two	2	2	-	2	2	-	-	-	-	-	-	-
Three	2	2	-	2	2	-	-	-	-	-	-	-
Four	1	-	1	1	1	-	-	-	-	-	-	-
Five	1	1	-	1	1	-	-	-	-	-	-	-
Six	2	2	-	1	1	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14 CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	12	11	1	10	10	-	-	-	-	-	-	-
Special Ed - Elementary	1	2	(1)	1	1	-	-	-	-	-	-	-
Special Ed - Middle	1	1	-	1	1	-	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	2	3	(1)	2	2	-	-	-	-	-	-	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	14	14	-	12	12	-	-	-	-	(d)	-	-
Percentage Error			0.00%			0.00%			#DIV/0!			#DIV/0!

Transportation

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	98	98	-	39	39	-
Reg -SpEd, col. 4	8	8	-	3	3	-
Transported - Non-Public, col. 3	8	8	-	3	3	-
AIL Non-Public	6	6	-	2	2	-
Special Ed Spec, col. 6	6	6	-	2	2	-
Totals	126	126	-	49	49	-
Percentage Error					0.00%	

FREDON TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2018

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool	-	-	-	-	-	-
Full Day Preschool	-	-	-	-	-	-
Half Day Kindegarten	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-
One	-	-	-	-	-	-
Two	-	-	-	-	-	-
Three	-	-	-	-	-	-
Four	-	-	-	-	-	-
Five	-	-	-	-	-	-
Six	-	-	-	-	-	-
10 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	-	-	-	(f)	-	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2018-2019 expenditures of \$100 million or less)

2018-2019 Total General Fund Expenditures per the CAFR	\$ 5,440,276
Increased by:	
Transfer from Capital Reserve to Capital Projects	584,000
Transfer from Capital Reserve to Debt Service	233,719
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(598,501)</u>
Adjusted 2018-2019 General Fund Expenditures	<u>\$ 5,659,494</u>
2% of Adjusted 2018-2019 General Fund Expenditures	<u>\$ 113,190</u>
Enter Greater of 2% of Adjusted 2018-2019 General Fund Expenditures or \$250,000	\$ 250,000
Increased by:	
Allowable Adjustment*	<u>6,595</u>
Maximum Unassigned Fund Balance	<u>\$ 256,595</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2019	\$ 1,753,651
Decreased by:	
Year End Encumbrances	\$ 43,471
Capital Reserve	1,292,607
Excess Surplus - Designated for Subsequent Year	1,063
Assigned - Designated for Subsequent Year	<u>60,492</u>
	<u>1,397,633</u>
Total Unassigned Fund Balance	<u>\$ 356,018</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	<u>\$ 99,423</u>
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Recapitulation of Excess Surplus

Restricted Excess Surplus - Designated for Subsequent Years	\$ 1,063
Restricted Excess Surplus	<u>99,423</u>
Total	<u>\$ 100,486</u>
* Detail of Allowable Adjustment	
Extraordinary Aid	\$ 2,591
Non Public Transportation Aid Reimbursement	<u>4,004</u>
	<u>\$ 6,595</u>

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Federal and state payroll taxes remitted by the third party payroll provider be independently verified by the District.
2. In all instances, receipt of goods and payment approval signatures be obtained on district purchase orders prior to payment being made to vendor.
3. Post-travel purpose and relevance forms be obtained prior to reimbursements being paid to employees for travel expenses.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

It is recommended that monies collected be turned over to the business office for deposit in a timely manner.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

**FREDON TOWNSHIP SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

RECOMMENDATIONS

IX. Miscellaneous

There are none.

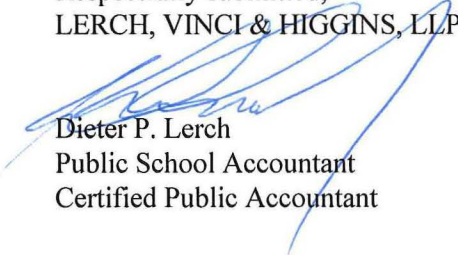
X. Status of Prior Years' Audit Findings/Recommendations

There were no prior year findings/recommendations.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Dieter P. Lerch
Public School Accountant
Certified Public Accountant