

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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AUDITOR’S MANAGEMENT REPORT

Honorable President and Members
of the Board of Trustees
Frankford Township Board of Education
Branchville, 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 Frankford Township Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 14, 2017.

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 solely 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.

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
November 14, 2017

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 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 Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Christopher Lessard	Business Administrator/Board Secretary	\$ 25,000
Sharon Yarozs	Treasurer of School Monies	\$190,000

There is a blanket dishonesty bond covering all other employees, including faithful performance for elected officials, in the amount of \$500,000 per loss.

Financial Planning, Accounting and Reporting

Examination of Claims

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

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 certified by the President of the Board, the Board Secretary/School Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including employee health benefit premium withholdings due to the general fund.

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

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.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (continued)

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 selection 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 maintained by the Board Secretary were in satisfactory condition.

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Finding – The audit indicated there exists a taxes receivable balance of \$42 at June 30, 2017. No recommendation is warranted since the balance is considered immaterial and was subsequently received by the District.

Treasurer's Records

The Treasurer did perform cash reconciliations for all District bank accounts.

All cash receipts were promptly deposited.

The Treasurer's records were in agreement with the Board Secretary.

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 and Title IIA 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 Exhibits K-3 and K-4 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.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (continued)

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.

T.P.A.F. Reimbursements to State for Federal Salary Expenditures

None.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter the bid threshold in accordance with N.J.S.A. 18:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The Business Administrator has been designated the chief purchasing agent of the District and the Board of Education has adopted a resolution increasing the bid threshold to \$40,000.

The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800.

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 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.

The results of our examination did not indicate that 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. 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. Our examination did reveal that purchases were made through the use of state contracts. These contracts were approved in the official minutes.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Food Service

The School Food Service Program has not been audited as a major program and has not expended \$100,000 or more in Federal and State support.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal and milk count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company, Maschio's Food Services (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 FSMC contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

Expenditures were separately recorded as food, labor and other costs. Inventory records on food 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.

USDA 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 Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The District 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.

Student Body Activities

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

All cash receipts were promptly deposited.

All cash disbursements had proper supporting documentation.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, on-roll related services and low-income. 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 no 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.

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 with no 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.

Facilities and Capital Assets

Our procedures included a review of the NJ School Development Authority (SDA) grant agreement for consistency with recording SDA revenue, transfer of local funds from the General Fund or from the Capital Reserve Account, and awarding of contracts for eligible facilities construction. No exceptions were noted.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

SCHEDULE OF AUDITED ENROLLMENTS

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

	2016-17 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 Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool - 3 yr.																	
Half Day Preschool - 4 yr.	7		7														
Full Day Preschool - 3 yr.								7		7							
Full Day Preschool - 4 yr.																	
Half Day Kindergarten								-		-							
Full Day Kindergarten	54		54					54		54							
One	53		53					53		53							
Two	54		54					54		54							
Three	51		51					51		51							
Four	42		42					42		42							
Five	51		51					51		51							
Six	39		39					39		39							
Seven	49		49					49		49							
Eight	37		37					37		37							
Nine																	
Ten																	
Eleven																	
Twelve																	
Post-Graduate																	
Adult H.S. (15+CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	437	-	437	-	-	-	-	437	-	437	-	-	-	-	-	-	-
Special Ed - Elementary	49		49					30		30							
Special Ed - Middle School	30		30					19		19							
Special Ed - High School																	
Subtotal	79	-	79	-	-	-	-	49	-	49	-	-	-	-	-	-	-
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	516	-	516	-	-	-	-	486	-	486	-	-	-	-	-	-	-
Percentage Error					0.00%	0.00%						0.00%	0.00%				0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	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	7	7		5	5							
One	6	6		4	4							
Two	10	10		7	7							
Three	2	2		1	1							
Four	7	7		5	5							
Five	6	6		4	4		1	1		1	1	
Six	9	9		6	6							
Seven	5	5		3	3		1	1		1	1	
Eight	1	1		1	1							
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	53	53	-	36	36	-	2	2	-	2	2	-
Special Ed - Elementary	9	9		6	6							
Special Ed - Middle	7	7		5	5							
Special Ed - High	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	16	16	-	11	11	-	-	-	-	-	-	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	69	69	-	47	47	-	2	2	-	2	2	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	343	343		17	17	
Reg -SpEd, col. 4	1	1		1	1	
Transported - Non-Public, col. 3	9	9		-	-	
Special Ed Spec, col. 6	19	19	-	31	31	-
Totals	372	372	-	49	49	-
Percentage Error					0.00%	

FRANKFORD TOWNSHIP BOARD OF EDUCATION

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 14, 2016

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One						
Two	1	1		1	1	
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High	-	-	-	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2016-2017) expenditures of \$100 million or less)

2016-2017 Total General Fund Expenditures per the CAFR	\$	11,610,201
Decreased by:		
On-Behalf TPAF Pension & Social Security		1,460,950
Capital Leases (Non-Budgeted)		193,384
		<hr/>
Adjusted 2016-2017 General Fund Expenditures	\$	<u>9,955,867</u>
2% of Adjusted 2016-2017 General Fund Expenditures	\$	<u>199,117</u>
Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000	\$	250,000
Increased by:		
Allowable Adjustment		124,273
		<hr/>
Maximum Unassigned Fund Balance	\$	<u>374,273</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2017	\$	2,472,868
Decreased by:		
Year End Encumbrances		78,915
Emergency Reserve		250,000
Maintenance Reserve		222,554
Capital Reserve		1,047,126
Capital Reserve - Designated for Subsequent Year's Expenditures		200,000
Excess Surplus - Designated for Subsequent Year's Expenditures		150,000
		<hr/>
Total Unassigned Fund Balance	\$	<u>524,273</u>

SECTION 3

Excess Surplus	\$	<u>150,000</u>
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Recapitulation of Excess Surplus as of June 30, 2017

Excess Surplus - Designated for Subsequent Year's Expenditures	\$	150,000
Excess Surplus		<hr/>
	\$	<u>300,000</u>

Detail of Allowable Adjustments

Extraordinary Aid 2016-2017	\$	121,315
Nonpublic Transportation Aid 2016-2017		2,958
	\$	<hr/>
	\$	<u>124,273</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Status of Prior Years' Audit Findings/Recommendations

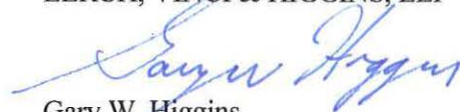
There were no prior year recommendations.

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



Gary W. Higgins
Public School Accountant
Certified Public Accountant