

**CRESSKILL BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**CRESSKILL BOARD OF EDUCATION
TABLE OF CONTENTS**

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

Page No.

Report of Independent Auditor	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4-5
Food Service Fund	5
Student Activity Funds	5
Application for State School Aid	5
Pupil Transportation	6
Facilities and Capital Assets	6
Follow-up on Prior Year Findings	6
Number of Meals/Milks Served and (Over)/Underclaim – Not Applicable	7
Schedule of Net Cash Resources – Food Service Fund – Not Applicable	7
Schedule of Audited Enrollments	8-10
Excess Surplus Calculation	11
Recommendations	12
Acknowledgment	13



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

Honorable President and Members
of the Board of Trustees
Cresskill Board of Education
Cresskill, 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 Cresskill Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 22, 2016.

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

Donna L. Japhet
Public School Accountant
PSA Number CS002314

Fair Lawn, New Jersey
November 22, 2016

**CRESSKILL BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 as reported in the district's Comprehensive Annual Financial Report (CAFR).

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Antoinette Kelly	Board Secretary/School Business Administrator	\$ 250,000

There is Public Employees' Dishonesty Insurance coverage with the Northeast Bergen County School Board Insurance Group (NESBIG) covering all other District employees with multiple coverage of \$400,000 per loss.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The board made a proper adjustment to the billings to sending districts 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 signature, certification and 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 approved by the Superintendent and 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 and health benefit withholdings were remitted to the General Fund.

Finding (CAFR Finding 2016-001) - Our audit of health benefit waivers found that waivers were being calculated and paid at an incorrect rate. In addition, District was not obtaining proof of other insurance from employees who waived health benefits.

Recommended - It is recommended that health benefit waivers be calculated and paid at the correct rate per statute and that the District obtain proof of other insurance from employees who are waiving coverage.

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

Employee Position Control Roster

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

**CRESSKILL BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 included administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.3.

Board Secretary's Records

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

The prescribed contractual order system was followed with exception.

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

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

Unemployment Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

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./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 IIA and III of the Elementary and Secondary Education Act.

Our examination 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 when the project was approved.

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

**CRESSKILL BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditures 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 to 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.

Nonpublic State Aid

Project completion reports were finalized and transmitted to the State by the due date.

Scholarship Trust Fund

The Board maintains various scholarship accounts and has established a Scholarship Trust Fund. The financial transactions of this fund are reported in the Fiduciary Funds.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 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. This law regulating bidding for public school transportation contracts under NJSA 18A:39-3 is currently \$18,800. The Board has designated the School Business Administrator as the qualified purchasing agent.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the 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 indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, amended.

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

**CRESSKILL BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 N.J.S.A. 18A:18A-10, 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 District does not participate in the School Nutrition Program.

The financial transactions and statistical records of the School Food Services were maintained in good condition. The financial accounts were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

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

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

The District contracted with Pomptonian Food Service Management Inc. to manage the operations of the School Food Services. The FSMC contracts includes an operating results provision which guarantees that the food service will return a profit. The operating results provision has not been met.

Student Activity Funds

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

Cash receipts and disbursements records for various schools were maintained in good condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (ASSA) for on-roll, private schools for the disabled, low income bilingual and related services. 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 exceptions. The information that was included on the workpapers was verified with isolated 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.

**CRESSKILL BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 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 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 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.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations.

**CRESSKILL BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS/MILKS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**GRESSKILL BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 15, 2015**

	2016-2017 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 Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Veri- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool 3 Years Old	-		-														
Half Day Preschool 4 Years Old	-		-														
Full Day Preschool 3 Years Old	6		6					6		6							
Full Day Preschool 4 Years Old	5		5		-	-		5		5							
Half Day Kindergarten	-		-														
Full Day Kindergarten	97		97					36		36							
1st Grade	124		124					72		72							
2nd Grade	121		121					40		40							
3rd Grade	119		119					70		70							
4th Grade	112		112					63		63							
5th Grade	134		134					56		56							
6th Grade	128		128					128		127		1					
7th Grade	122		122					122		122							
8th Grade	127		127					127		127							
9th Grade	115		115					115		115							
10th Grade	124		124					124		124							
11th Grade	112		112					112		112							
12th Grade	118	1	118	1				118	1	118	1						
Subtotal	1,564	1	1,564	1	-	-		1,194	1	1,193	1	1	-	-	-	-	-
Spec Ed - Elementary	91		91					59		59							
Spec Ed- Middle School	54		54					54		52		2		1	1	1	
Spec Ed - High School	75		75					75		75				17	14	14	
Subtotal	220	-	220	-	-	-		188	-	186	-	2	-	18	15	15	-
Totals	1,784	1	1,784	1	-	-		1,382	1	1,379	1	3	-	18	15	15	-
Percentage Error					0.00%					0.22%						0.00%	

**CRESSKILL BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLEMENT AS OF OCTOBER 15, 2015**

	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 Pre-School (3 Yrs)			-			-			-			-
Half Day Pre-School (4 Yrs)			-			-			-			-
Full Day Kindergarten	-	-	-			-			-			-
1st Grade	-	-	-			-			-			-
2nd Grade	-	-	-			-			-			-
3rd Grade	1.0	1.0	-	1.0	-	1			-			-
4th Grade	1.0	1.0	-	1.0	2.0	(1)			-			-
5th Grade	-	-	-			-			-			-
6th Grade	2.0	2.0	-	2.0	1.0	1			-			-
7th Grade	2.0	2.0	-	2.0	2.0	-			-			-
8th Grade	1.0	1.0	-	1.0	1.0	-			-			-
9th Grade	4.0	4.0	-	4.0	4.0	-			-			-
10th Grade	-	-	-			-			-			-
11th Grade	5.0	5.0	-	5.0	5.0	-			-			-
12th Grade	4.0	4.0	-	4.0	4.0	-			-			-
Subtotal	20	20	-	20	19	1	-	-	-	-	-	-
Spec Ed - Elementary	-	-	-			-			-			-
Spec Ed - Middle School	-	-	-			-			-			-
Spec Ed - High School	4.0	4.0	-	4.0	4.0	-			-			-
Subtotal	4	4	-	4	4	-	-	-	-	-	-	-
Totals	24	24	-	24	23	1	-	-	-	-	-	-
Percentage Error			<u>0.00%</u>			<u>4.17%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	28.0	28.0	-	21	21	-
Regular - Spec.	14.0	14.0	-	11	11	-
Transported - Non-Public	-	-	-	-	-	-
Special Needs - Public	16.0	16.0	-	12	12	-
Totals	58.0	58.0	-	44	44	-
			<u>0.00%</u>		<u>9</u>	<u>0.00%</u>

**CRESSKILL BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
SCHEDULE OF AUDITED ENROLLMENTS
ENROLLMENT AS OF OCTOBER 15, 2015**

	Resident LEP Not Low Income			Sample for Verification		
	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
Full Day Pre-School (3 Yrs)						
Full Day Pre-School (4 Yrs)						
Half Day Kindergarten			-			-
Full Day Kindergarten	15	15	-	8	8	-
1st Grade	7	7	-	4	4	-
2nd Grade	15	15	-	8	8	-
3rd Grade	12	12	-	6	6	-
4th Grade	10	10	-	5	5	-
5th Grade	9	9	-	5	5	-
6th Grade	4	4	-	2	2	-
7th Grade	4	4	-	2	2	-
8th Grade	7	7	-	4	4	-
9th Grade	3	3	-	2	2	-
10th Grade	4	4	-	2	2	-
11th Grade	-	-	-			-
12th Grade	1	1	-	1	1	-
Subtotal	91	91	-	49	49	-
Spec Ed - Elementary	1	1	-	1	1	-
Spec Ed- Middle School	-	-	-			-
Spec Ed - High School	-	-	-			-
Subtotal	1	1	-	1	1	-
Totals	92	92	-	50	50	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**CRESSKILL BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

2015-2016 Total General Fund Expenditures per the CAFR		\$ 30,263,113
Increased by:		
Transfer from Capital Reserve to Capital Projects		50,000
		30,313,113
Decreased by:		
On-Behalf TPAF Pension & Social Security		3,281,561
Adjusted 2015-2016 General Fund Expenditures		<u>\$ 27,031,552</u>
2% of Adjusted 2015-2016 General Fund Expenditures		\$ 540,631
Increased by Allowable Adjustments *		322,109
Maximum Unassigned Fund Balance		<u>\$ 862,740</u>
 <u>SECTION 2</u>		
Total General Fund - Fund Balance at June 30, 2016		\$ 1,827,497
Decreased by:		
Restricted Fund Balance - Capital Reserve	555,072	
Assigned Fund Balance, Designated for Subsequent Year's Expenditures	277,729	
		<u>832,801</u>
Total Unassigned Fund Balance		<u>\$ 994,696</u>
 * <u>Detail of Allowable Adjustments</u>		
Unbudgeted Extraordinary Aid		<u>\$ 322,109</u>
 <u>Recapitulation of Excess Surplus at June 30, 2016</u>		
Reserved Excess Surplus		<u>\$ 131,956</u>
Total Excess Surplus		<u>\$ 131,956</u>

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that health benefit waivers be calculated and paid at the correct rate per statute and that the District obtain proof of other insurance from employees who are waiving coverage.

III. School Purchasing Program

There are none.

IV. Food Service Fund

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid (A.S.S.A.)

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

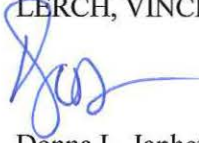
A review was performed on all prior years' recommendations and corrective action was taken on all.

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



Donna L. Japhet
Certified Public Accountant
Public School Accountant