

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

**LITTLE FALLS BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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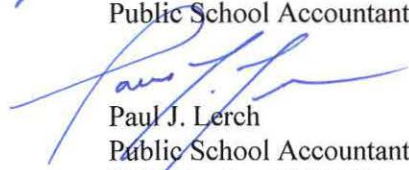
AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Education
Township of Little Falls
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 Little Falls Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 29, 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

Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
September 29, 2016

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

GENERAL COMMENTS

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 the Insurance Schedule contained in the District's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Carol Delsandro	School Business Administrator/ Board Secretary	\$200,000

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 reveal 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 and the Board Secretary/School Business Administrator and approved by the Chief School Administrator.

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

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

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

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.

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 additional procedures were deemed necessary to test the propriety of expenditure classification.

Travel

The District had an approved Board travel policy as required by NJAC 6A:23A-6.13 and NJSA 18A:11-12.

Board Secretary's Records

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

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 and the monthly financial reports were included in the minutes.

The prescribed contractual order system was followed.

Treasurer's Records

The Chief School Administrator did perform cash reconciliations for the general operating account, payroll account, payroll agency account, unemployment account and food service account (N.J.S.A. 18A:17-9).

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. 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 and II and the Elementary and Secondary Education Act as amended and reauthorized.

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

Financial Planning, Accounting and Reporting (Continued)

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 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.

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

The amount of the expenditure charged to the current year's final reports 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

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of school funds, not included within the terms of N.J.S.A. 18A:18A-3, shall be made and awarded only by the board of education after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate the amount set forth in, or calculated by the Governor pursuant to N.J.S.A. 18A:18A-3 except by contract or agreement".

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:39-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. If the District's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c.198 (C.40A:11-9), the Board of Education may establish the bid threshold up to \$40,000. The District's Business Administrator is qualified and the District, by Board resolution, has increased 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 currently \$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 Solicitor's opinion should be sought before a commitment is made.

**LITTLE FALLS 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)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, 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 any individual payments, contracts, or agreements which were made "for the performance of any work or goods or services", 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 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.

School Food Service

The school food service program was not selected as a major federal 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.

The school food service program was not selected as a major 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's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition.

Cash receipts and bank records were reviewed for timely deposits.

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.

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

School Food Service (Continued)

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 school district project 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 Enterprise Funds.

Student Body Activity

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

Cash receipts and disbursements records 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 (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 without exception. The information that was included on the workpapers was verified 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 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 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.

Facilities and Capital Assets

Our procedures included a review of 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 contracts for eligible facilities construction.

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

Follow-up on Prior Year Findings

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

Acknowledgement

We received the complete cooperation of all the officials of the school district and I greatly appreciate the courtesies extended to the members of the audit team.

**LITTLE FALLS BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDER
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

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

NOT APPLICABLE

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

	2016-2017 Application for State School Aid						Sample for Verification						On Roll - Special Education			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		Sample for Verifi- cation	Sample Verified	Sample Errors	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 Years Old	8		8		-	-	8		8		-									
Full Day Preschool 3 Years Old	7		7		-	-	7		7		-									
Half Day Preschool 4 Years Old					-	-					-									
Full Day Preschool 4 Years Old					-	-					-									
Half Day Kindergarten					-	-					-									
Full Day Kindergarten	80		80		-	-	80		80		-									
Grade 1	76		76		-	-	76		76		-									
Grade 2	79		79		-	-	79		79		-									
Grade 3	81		81		-	-	81		81		-									
Grade 4	72		72		-	-	72		72		-									
Grade 5	71		71		-	-	71		71		-									
Grade 6	97		97		-	-	97		97		-									
Grade 7	75		75		-	-	75		75		-									
Grade 8	91		91		-	-	91		91		-									
Grade 9					-	-					-									
Grade 10					-	-					-									
Grade 11					-	-					-									
Grade 12					-	-					-									
Post- Graduate					-	-					-									
Adult High School (15+ Credits)					-	-					-									
Adult High School (1-14 Credits)					-	-					-									
Subtotal	737	-	737	-	-	-	737	-	737	-	-	-	-	-	-	-	-	-	-	
Sp Ed - Elementary	101		101		-	-	101		101		-	26	26	-	2	2	2	-	-	
Sp Ed - Middle School	51		51		-	-	51		51		-	23	23	-	2	2	2	-	-	
Sp Ed - High School					-	-					-			-				-	-	
Subtotal	152	-	152	-	-	-	152	-	152	-	-	49	49	-	4	4	4	-	-	
County Vocational - Regular					-	-					-			-				-	-	
County Vocational - F.T. Post-Second					-	-					-			-				-	-	
Subtotal					-	-					-			-				-	-	
Totals	889	-	889	-	-	-	889	-	889	-	-	49	49	-	4	4	4	-	-	
Percentage Error					0.00%						0.00%				0.00%				0.00%	

LITTLE FALLS BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID
 ENROLLMENT AS OF OCTOBER 15, 2015
 SCHEDULE OF AUDITED ENROLLMENTS

	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	Sample Errors	Reported on ASSA as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected	Verified to Test Score and Register	Errors
	Half Day Preschool 3 Years Old			-			-					
Full Day Preschool 3 Years Old			-			-						
Half Day Preschool 4 Years Old			-			-						
Full Day Preschool 4 Years Old			-			-						
Half Day Kindergarten			-			-						
Full Day Kindergarten	19	19	-	8	8	-						
Grade 1	25	25	-	9	9	-	1	1	-	1	1	-
Grade 2	16	16	-	8	8	-	3	3	-	3	3	-
Grade 3	19	19	-	8	8	-	1	1	-	1	1	-
Grade 4	16	16	-	7	7	-	2	2	-	2	2	-
Grade 5	12	12	-	7	7	-	1	1	-	1	1	-
Grade 6	17	17	-	7	7	-						
Grade 7	16	16	-	9	9	-	3	3	-	3	3	-
Grade 8	28	28	-	12	12	-						
Grade 9			-			-						
Grade 10			-			-						
Grade 11			-			-						
Grade 12			-			-						
Post- Graduate			-			-						
Adult High School (15+ Credits)			-			-						
Adult High School (1-14 Credits)			-			-						
Subtotal	168	168	-	75	75	-	11	11	-	11	11	-
Sp Ed - Elementary	27	27	-	13	13	-						
Sp Ed - Middle School	17	17	-	10	10	-						
Sp Ed - High School			-			-						
Subtotal	44	44	-	23	23	-						
County Vocational - Regular			-			-						
County Vocational - F.T. Post-Second			-			-						
Subtotal			-			-						
Totals	212.0	212.0	-	98.0	98.0	-	11	11	-	11	11	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
	Reg. - Public Schools	90	92	(2)	24	24
Regular - Special Ed	19	19	-	5	5	-
AIL Non-Public	34	32	2	9	9	-
Transported - Non Public	16	16	-	4	4	-
Special Needs	47	48	(1)	13	13	-
	206	207	(1)	55	55	-
Percentage Error			<u>-0.5%</u>			<u>0.0%</u>

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

	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	Errors
Half Day Preschool 3 Years Old						
Full Day Preschool 3 Years Old			-			-
Half Day Preschool 4 Years Old			-			-
Full Day Preschool 4 Years Old			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	1	1	-	1	1	-
Grade 1	1	1	-	1	1	-
Grade 2			-			-
Grade 3			-			-
Grade 4			-			-
Grade 5			-			-
Grade 6			-			-
Grade 7			-			-
Grade 8			-			-
Grade 9	-	-	-			-
Grade 10	-	-	-			-
Grade 11	-	-	-			-
Grade 12	-	-	-			-
Post- Graduate			-			-
Adult High School (15+ Credits)			-			-
Adult High School (1-14 Credits)			-			-
Subtotal	2	2	-	2	2	0
Sp Ed - Elementary						-
Sp Ed - Middle School						-
Sp Ed - High School						-
Subtotal	0	-	-	-	-	-
County Vocational - Regular						
County Vocational - F.T. Post-Second						
Subtotal						
Totals	2	2	-	2	2	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

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

SECTION 1

2015-2016 Total General Fund Expenditures per the CAFR, Ex. C-1		\$ 15,433,159
Increase by:		
Transfer from Capital Reserve to Capital Projects		542,502
		15,975,661
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 1,510,615	
Assets Acquired Under Capital Lease	144,772	
		1,655,387
 Adjusted 2015-2016 General Fund Expenditures		 \$ 14,320,274
2% of Adjusted 2015-2016 General Fund Expenditures		\$ 286,405
Enter Greater of 2% or \$250,000		286,405
Allowable Adjustment		88,928
Maximum Unassigned Fund Balance		\$ 375,333

SECTION 2

Total General Fund - Fund Balances at June 30, 2016		\$ 3,797,996
Decreased by:		
Restricted Fund Balance:		
Capital Reserve	\$ 1,882,594	
Emergency Reserve	202,409	
Maintenance Reserve	225,000	
Excess Surplus Designated for Subsequent Year's Expenditures	385,723	
Assigned Fund Balance:		
Year End Encumbrances	130,075	
		2,825,801
 Total Unassigned Fund Balance for Excess Surplus Calculation		 \$ 972,195

SECTION 3

Restricted Fund Balance - Excess Surplus		\$ 596,862
 <u>Recapitulation of Excess Surplus as of June 30, 2016</u>		
Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 385,723	
Restricted for Excess Surplus		596,862
		\$ 982,585
 <u>Detail of Allowable Adjustments</u>		
Extraordinary Aid	\$ 82,450	
Additional Nonpublic School Transportation Aid		6,478
		\$ 88,928

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

RECOMMENDATIONS

I. Administrative 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 Services

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. Miscellaneous

There are none.

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

RECOMMENDATIONS (Continued)

Status of Prior Years' Audit Findings/Recommendations

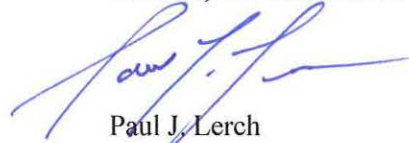
A review was performed on the prior year recommendation. Corrective action was taken on the prior year finding.

ACKNOWLEDGMENT

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



Paul J. Lerch
Public School Accountant
Certified Public Accountant