

**NORTHVALE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**NORTHVALE BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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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
Northvale Board of Education
Northvale, 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 Northvale Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 17, 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.

Respectfully submitted,

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

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
October 17, 2016

**NORTHVALE 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 and Treasurer of School Monies, the activities of the Board of Education and 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 Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Deborah Ann Trainor	Interim Business Administrator/Board Secretary (7/1/15-6/30/16)	\$100,000
Dawn Delasandro	Business Administrator/Board Secretary (7/1/16-Present)	100,000
Suzanne Burroughs	Treasurer of School Monies	185,000

There is public employee dishonesty coverage covering all other employees with coverage of \$100,000 per employee and \$400,000 per loss.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any 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/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld and due to the general fund.

Payrolls were delivered to the Treasurer of School Monies with a warrant made to her order for the full amount of each payroll.

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

Financial Planning, Accounting and Reporting (Continued)

Employee Position Control Roster

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. 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. 6:23-2.2(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 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-8.2. As a result of the procedures performed, no errors were noted.

Board Secretary's Records

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

Finding – The additional appropriation of prior year General Fund aid approved by Board resolution was not posted to the 2015/16 budget report. No recommendation is warranted since the budget accounts contained in the approval had sufficient funds prior to the appropriation. The financial statements have been adjusted to reflect the additional appropriation of the prior year aid.

Finding – The District did not record the 2015/16 tuition billings in the general ledger.

Recommendation – The District record all tuition billings in the general ledger upon execution of a contract.

Treasurer's Records

The Treasurer did perform cash reconciliations for the general operating, net pay and payroll agency accounts (N.J.S.A. 18A:17-36).

All cash receipts were promptly deposited.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind (NCLB) Act of 2001

The I.A.S.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 III of the Elementary and Secondary Education Act as amended.

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.

**NORTHVALE 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 Exhibit K-3 (Schedule A) and Exhibit K-4 (Schedule B) 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.

Finding – The audit indicated that grant reimbursements for IDEA were not submitted timely.

Recommendation – The District submit grant reimbursement requests for the IDEA grant in a timely manner.

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 (TPAF). 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 thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are \$40,000 (without 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 establishing the bid threshold at \$40,000. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39.3 is \$18,800 for 2015/16.

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.

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

**NORTHVALE 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 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.

Finding – Our audit indicated that competitive quotations were not always obtained from certain vendors for purchases made in excess of the quote threshold.

Recommendation – The District obtain competitive quotations from vendors for purchases which exceed the quote threshold.

School Food Service

The School Food Service Program was utilized to operate a milk program. The District did not receive any federal or state support.

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

Expenditures reflect the purchase of milk only. Vendor invoices were reviewed and costs verified.

The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Student Body Activities

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

Cash receipts were promptly deposited.

Cash disbursements were supported by proper documentation.

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, related services, 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 one misclassification was of two students noted. 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 had adequate written procedures for the recording of student enrollment data.

**NORTHVALE 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 exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures were to review the 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 indicated a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from General Fund or from the Capital Reserve Account, and awarding of contracts for eligible facilities construction.

Suggestions to Management

- The old outstanding checks and bank adjustments on the General Fund account bank reconciliation be reviewed and cleared of record.

**NORTHVALE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
SCHEDULE OF MEAL COUNT ACTIVITY**

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES – FOOD SERVICE

NOT APPLICABLE

**NORTHVALE BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15TH 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		Reported on Workpapers On Roll		Errors		Reported on A.S.S.A. as Private Schools	Reported on Workpapers 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					-	-												
Half Day Preschool - 4 years					-	-												
Half Day Kindergarten					-	-												
Full Day Kindergarten	53	-	53	-	-	-	53	-	53	-	-	-						
1st Grade	49	-	49	-	-	-	49	-	49	-	-	-						
2nd Grade	50	-	50	-	-	-	50	-	50	-	-	-						
3rd Grade	45	-	45	-	-	-	45	-	45	-	-	-						
4th Grade	45	-	45	-	-	-	45	-	45	-	-	-						
5th Grade	44	-	44	-	-	-	44	-	44	-	-	-						
6th Grade	49	-	49	-	-	-	49	-	49	-	-	-						
7th Grade	53	-	53	-	-	-	53	-	53	-	-	-						
8th Grade	80	-	80	-	-	-	80	-	80	-	-	-						
9th Grade					-	-												
10th Grade					-	-												
11th Grade					-	-												
12th Grade					-	-												
Subtotal	468	-	468	-	-	-	468	-	468	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	30	-	30	-	-	-	23	-	23	-	-	-	2					-
Spec Ed - Middle School	25	-	25	-	-	-	19	-	19	-	-	-	-	2	2	2	2	-
Spec Ed - High School					-	-												-
Subtotal	55	-	55	-	-	-	42	-	42	-	-	-	2	2	2	2	2	-
Totals	523	-	523	-	-	-	510	-	510	-	-	-	2	2	2	2	2	-
Percentage Error					<u>0.00%</u>								<u>0.00%</u>					<u>0.00%</u>

NORTHVALE BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15TH 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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-			-			-
Half Day Pre-School (4 Yrs)			-			-			-			-
Half Day Kindergarten			-			-			-			-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
1st Grade	-	-	-	-	-	-	-	-	-	-	-	-
2nd Grade	-	-	-	-	-	-	-	-	-	-	-	-
3rd Grade	-	-	-	-	-	-	-	-	-	-	-	-
4th Grade	-	-	-	-	-	-	-	-	-	-	-	-
5th Grade	-	-	-	-	-	-	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-	-	-	-	-	-	-
9th Grade			-			-			-			-
10th Grade			-			-			-			-
11th Grade			-			-			-			-
12th Grade			-			-			-			-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - High School			-			-			-			-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	-	-	-	-
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
Regular - Public Schools	-	-	-	-	-	-
Transported - Non-Public	2	2	-	2	2	-
Regular - Spec.	-	-	-	-	-	-
Special Needs - Public	11	11	-	11	11	-
Totals	<u>13</u>	<u>13</u>	-	<u>13</u>	<u>13</u>	-
			<u>0.00%</u>			<u>0.00%</u>

**NORTHVALE BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15TH 2015**

	Resident LEP Not 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 Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-
Half Day Pre-School (4 Yrs)			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	9	9	-	9	9	-
1st Grade	3	3	-	3	3	-
2nd Grade	5	5	-	5	5	-
3rd Grade	3	3	-	3	3	-
4th Grade	1	1	-	1	1	-
5th Grade	1	1	-	1	1	-
6th Grade	1	1	-	1	1	-
7th Grade	1	1	-	1	1	-
8th Grade	2	2	-	2	2	-
9th Grade			-			-
10th Grade			-			-
11th Grade			-			-
12th Grade			-			-
Subtotal	26	26	-	26	26	-
Spec Ed - Elementary	2	2	-	2	2	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	2	2	-	2	2	-
Totals	28	28	-	28	28	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

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

SECTION 1 - Two Percent (2%) - Calculation of Excess surplus (2015-2016 expenditures of \$100 million or less)

2015-2016 Total General Fund Expenditures per the CAFR	\$ 10,530,892
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ (978,011)
Assets Acquired Under Capital Leases	<u>(57,292)</u>
Adjusted 2015-2016 General Fund Expenditures	<u>\$ 9,495,589</u>
2% of Adjusted 2015-2016 General Fund Expenditures	<u>\$ 189,912</u>
Enter Greater of 2% of Adjusted 2015-2016 General Fund Expenditures or \$250,000	\$ 250,000
Increased by:	
Allowable Adjustments	<u>165,639</u>
Maximum Unassigned Fund Balance	<u>\$ 415,639</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2016	\$ 4,101,347
Decreased by:	
Restricted	
Emergency Reserve	250,000
Maintenance Reserve	126,063
Capital Reserve	1,533,349
Capital Reserve - Designated for Subsequent Year's Expenditures	438,000
Excess Surplus - Designated for Subsequent Year's Expenditures	621,372
Assigned Year-End Encumbrances	<u>64,395</u>
Total Unassigned Fund Balance	<u>\$ 1,068,168</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	\$ <u>652,529</u>
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Recapitulation of Excess Surplus as of June 30, 2016

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 621,372
Restricted Excess Surplus	<u>652,529</u>
	<u>\$ 1,273,901</u>

Detail of Allowable Adjustments

Extraordinary Aid 2015-2016	\$ 164,307
Nonpublic Transportation Aid 2015-2016	<u>1,332</u>
	<u>\$ 165,639</u>

**NORTHVALE 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

It is recommended that:

1. The District record all tuition contracts in the general ledger upon execution of a contract.
2. The District submit grant reimbursement requests for the IDEA grant in a timely manner.

III. School Purchasing Program

It is recommended that the District obtain competitive quotations from vendors for purchases which exceed the quote threshold.

IV. Food Service Fund

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.

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

X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on the prior year's recommendation and corrective action was taken on the 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