

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

**SADDLE RIVER 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

AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board Trustees
Saddle River Board of Education
Saddle River, 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 Saddle River Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated December 2, 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

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

Donna L. Japhet
Public School Accountant
PSA Number CS002314

Fair Lawn, New Jersey
December 2, 2016

**SADDLE RIVER 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 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 the Insurance Schedule of the statistical section in the district's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Donna Logan	Board Secretary/School Business Administrator	\$100,000
Linda Canavan	Treasurer of School Monies	175,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company of America covering all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

The net salaries of all employees of the Board was deposited in the Payroll Account. Employees' payroll deductions and employer's share of payroll taxes 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 withholding due to the General Fund.

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

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

**SADDLE RIVER 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 proper classification of orders as reserve for encumbrances and accounts payable and it was determined that no blanket purchase orders were included in the balance of the year end 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. No exceptions were noted regarding the account classification of our expenditures. 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.

Board Secretary's Records

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

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

The prescribed contractual order system was followed. Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Treasurer's Records

The Treasurer performed cash reconciliations in accordance with N.J.S.A. 18A:17-9.

All cash receipts were promptly deposited.

The Treasurers cash balances were in agreement with the cash balances of the Board Secretary.

Unemployment Compensation 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 Fiduciary Fund.

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

Our examination indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

**SADDLE RIVER 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 and Exhibit K-4 located in the CAFR.

Our examination 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. Reimbursement to the State for Federal Salary Expenditures

There were no TPAF employees' pensionable wages paid from federal funds during the current year. Therefore, there were no reimbursement amounts due to the state at June 30, 2016.

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the State by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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. The law regulating bidding for public school student transportation contract 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.

The results of our examination indicated that no individual payments, contracts, or agreements 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 provisions of N.J.S.A. 18A:18A-4, as amended.

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

**SADDLE RIVER 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.

Food Service Fund

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

Cash receipts and bank records were reviewed for timely deposit.

The District contracts with Maschio's Food Services, Inc., a food service management company (FSMC), to operate and manage its food service program for 2015/2016. The district 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. 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 disbursement 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 food service operations are included in the section entitled Enterprise Funds.

Student Activity Accounts

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

Application for State School Aid

Our audit procedures included a test information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, 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 without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Application for State School Aid (Continued)

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 information on the DRTRS was verified without exception. 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.

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

SCHEDULE OF MILK COUNT ACTIVITY

NOT APPLICABLE

**SADDLE RIVER BOARD OF EDUCATION
FOOD SERVICE FUND
NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

**SADDLE RIVER BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

	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 Register 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 years	2	-	2	-	-	-	2	-	2	-	-	-	-	-	-	-
Full Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 4 years	11	-	11	-	-	-	11	-	11	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	26	-	26	-	-	-	26	-	26	-	-	-	-	-	-	-
1st Grade	21	-	21	-	-	-	21	-	21	-	-	-	-	-	-	-
2nd Grade	22	-	22	-	-	-	22	-	22	-	-	-	-	-	-	-
3rd Grade	19	-	19	-	-	-	19	-	19	-	-	-	-	-	-	-
4th Grade	29	-	29	-	-	-	29	-	29	-	-	-	-	-	-	-
5th Grade	37	-	37	-	-	-	37	-	37	-	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13th Grade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	167	-	167	-	-	-	167	-	167	-	-	-	-	-	-	-
Spec Ed - Elementary	11	-	11	-	-	-	9	-	9	-	-	-	1	1	1	-
Spec Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	-
Subtotal	11	-	11	-	-	-	9	-	9	-	-	-	3	3	3	-
Totals	178	-	178	-	-	-	176	-	176	-	-	-	3	3	3	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>							<u>0.00%</u>	<u>0.00%</u>		<u>0.00%</u>

**SADDLE RIVER BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

	Low Income			Sample for Verification			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	-	-	-	-	-	-	-	-	-	-	-	-
13th Grade	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Error		<u>N/A</u>			<u>N/A</u>			<u>N/A</u>		<u>N/A</u>		

	Transportation			Tested	Verified	Errors
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors			
Regular - Public Schools	201	201	-	41	41	-
Transported - Non-Public	27	27	-	5	5	-
Regular - Spec.	2	2	-	1	1	-
Special Needs - Public	44	44	-	9	9	-
Totals	<u>274</u>	<u>274</u>	-	<u>56</u>	<u>56</u>	-
		<u>0.00%</u>			<u>0.00%</u>	

**SADDLE RIVER BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

	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						
1st Grade						
2nd Grade						
3rd Grade						
4th Grade						
5th Grade						
6th Grade						
7th Grade						
8th Grade						
9th Grade						
10th Grade						
11th Grade						
13th Grade						
Subtotal	-	-	-	-	-	-
Spec Ed - Elementary						
Spec Ed - Middle School						
Spec Ed - High School						
Subtotal	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error		<u>N/A</u>			<u>N/A</u>	

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

SECTION 1A - Two Percent (2%) - Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR	\$	8,684,723
Decreased by:		
On-Behalf TPAF Pension & Social Security		497,383
Adjusted 2015-2016 General Fund Expenditures	\$	8,187,340
2% of Adjusted 2015-2016 General Fund Expenditures	\$	163,747
Enter Greater of 2% of Adjusted 2015-2016 General Fund Expenditures or \$250,000	\$	250,000
Increased by: Allowable Adjustments-Nonpublic Transportation		13,488
Maximum Unassigned Fund Balance	\$	263,488

SECTION 2

Total General Fund - Fund Balance at June 30, 2016 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	1,566,616
Decreased by:		
Year End Encumbrances	\$	79,267
Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures		285,637
Other Restricted Fund Balance - Capital Reserve		710,324
Reserved Fund Balance-Designated for Subsequent Year's Expenditures		93,104
Total Unassigned Fund Balance	\$	398,284

SECTION 3

Restricted Fund Balance - Excess Surplus	\$	134,796
<u>Recapitulation of Excess Surplus as of June 30, 2016</u>		
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures	\$	285,637
Reserved Excess Surplus		134,796
Total Excess Surplus	\$	420,433

**SADDLE RIVER BOARD OF EDUCATION
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.

X. Status of Prior Years' Audit Findings/Recommendations

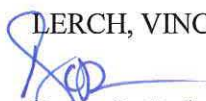
A review was performed on the prior year's recommendations. Corrective action was taken on both of the prior year recommendations.

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,

DERCH, VINCI & HIGGINS, LLP



Donna L. Japhet
Certified Public Accountant
Public School Accountant