

**NORTHVALE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

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

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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, 2017, and have issued our report thereon dated September 26, 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.

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
September 26, 2017

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

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> |
|-------------------|--|---------------|
| Dawn Delasandro | Business Administrator/Board Secretary | 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 greater than estimated costs for special education tuition. In addition, the Board made a proper adjustment to the billings for the regular students where the actual costs were less than the estimated 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, 2017**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Finding – As of June 30, 2017 there existed certain federal payroll taxes owed to the Internal Revenue Service (IRS) relating to the May 15, 2017 payroll as a result of failing to activate the submit button to transfer the liability when the payment was processed online. The District did electronically submit the amount due on August 1, 2017. No recommendation is warranted since this is considered an isolated and unintentional error. Additionally, the District was assessed a tax deposit penalty which was subsequently removed by the IRS based upon an explanation of the circumstances concerning the late submission of the tax liability.

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 District awarded a contract for electrical upgrade in the amount of \$348,477 and services were rendered in the amount of \$89,221 prior to the appropriation of capital reserve funds to the respective budgetary line accounts.

Recommendation – The District should not approve the award of any contract where the budgetary line accounts to be charged do not contain sufficient funds available.

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.

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

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.

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 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The Business Administrator has been designated as the Temporary 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 2016/17.

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.

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.

**NORTHVALE 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 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 14, 2016 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 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.

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.

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 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

The District had no SDA grant projects during the year.

**NORTHVALE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
SCHEDULE OF MEAL COUNT ACTIVITY**

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES – FOOD SERVICE

NOT APPLICABLE

NORTHVALE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2016

| | <u>2016-17 Application for State School Aid</u> | | | | | | <u>Sample for Verification</u> | | | | | | <u>Private Schools for Disabled</u> | | | |
|----------------------------|---|----------------|--------------------|----------------|---------------|---------------|--------------------------------|---------------|---------------------|---------------|-------------------|---------------|-------------------------------------|----------------|-----------------|---------------|
| | <u>Reported on</u> | | <u>Reported on</u> | | <u>Errors</u> | | <u>Sample</u> | | <u>Verified per</u> | | <u>Errors per</u> | | <u>Reported on</u> | <u>Sample</u> | <u>Sample</u> | <u>Sample</u> |
| | <u>A.S.S.A.</u> | | <u>Workpapers</u> | | | | <u>Selected from</u> | | <u>Registers</u> | | <u>Registers</u> | | <u>A.S.S.A. as</u> | <u>for</u> | | |
| | <u>On Roll</u> | <u>On Roll</u> | <u>On Roll</u> | <u>On Roll</u> | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Private</u> | <u>Verifi-</u> | <u>Verified</u> | <u>Errors</u> |
| | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Full</u> | <u>Shared</u> | <u>Schools</u> | <u>cation</u> | <u>Sample</u> | <u>Errors</u> |
| Half Day Preschool | | | | | | | | | | | | | | | | |
| Full Day Preschool | | | | | | | | | | | | | | | | |
| Half Day Kindergarten | | | | | | | | | | | | | | | | |
| Full Day Kindergarten | 53 | - | 53 | - | - | - | 53 | - | 53 | - | - | - | | | | |
| One | 54 | - | 54 | - | - | - | 54 | - | 54 | - | - | - | | | | |
| Two | 49 | - | 49 | - | - | - | 49 | - | 49 | - | - | - | | | | |
| Three | 52 | - | 52 | - | - | - | 52 | - | 52 | - | - | - | | | | |
| Four | 50 | - | 50 | - | - | - | 50 | - | 50 | - | - | - | | | | |
| Five | 50 | - | 50 | - | - | - | 50 | - | 50 | - | - | - | | | | |
| Six | 45 | - | 45 | - | - | - | 45 | - | 45 | - | - | - | | | | |
| Seven | 49 | - | 49 | - | - | - | 49 | - | 49 | - | - | - | | | | |
| Eight | 52 | - | 52 | - | - | - | 52 | - | 52 | - | - | - | | | | |
| Nine | | | | | | | | | | | | | | | | |
| Ten | | | | | | | | | | | | | | | | |
| Eleven | | | | | | | | | | | | | | | | |
| Twelve | | | | | | | | | | | | | | | | |
| Post-Graduate | | | | | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | | | | | | | | | | | |
| Subtotal | 454 | - | 454 | - | - | - | 454 | - | 454 | - | - | - | | | | |
| Special Ed - Elementary | 32 | - | 32 | - | - | - | 24 | - | 24 | - | - | - | | | | |
| Special Ed - Middle School | 31 | - | 31 | - | - | - | 24 | - | 24 | - | - | - | 1 | 1 | 1 | - |
| Special Ed - High School | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal | 63 | - | 63 | - | - | - | 48 | - | 48 | - | - | - | 1 | 1 | 1 | - |
| Co. Voc. - Regular | | | | | | | | | | | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | | | | | | | | | | | |
| Totals | 517 | - | 517 | - | - | - | 502 | - | 502 | - | - | - | 1 | 1 | 1 | - |
| Percentage Error | | | | | 0.00% | 0.00% | | | | | 0.00% | 0.00% | | | | 0.00% |

**NORTHVALE SCHOOL DISTRICT
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 | | | | | | | | | | | | |
| One | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - |
| Two | - | - | - | - | - | - | - | - | - | - | - | - |
| Three | - | - | - | - | - | - | - | - | - | - | - | - |
| Four | - | - | - | - | - | - | - | - | - | - | - | - |
| Five | - | - | - | - | - | - | - | - | - | - | - | - |
| Six | - | - | - | - | - | - | - | - | - | - | - | - |
| Seven | - | - | - | - | - | - | - | - | - | - | - | - |
| Eight | - | - | - | - | - | - | - | - | - | - | - | - |
| Nine | | | | | | | | | | | | |
| Ten | | | | | | | | | | | | |
| Eleven | | | | | | | | | | | | |
| Twelve | | | | | | | | | | | | |
| Post-Graduate | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | | | | | | | |
| Subtotal | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - |
| Special Ed - Elementary | - | - | - | - | - | - | - | - | - | - | - | - |
| Special Ed - Middle | - | - | - | - | - | - | - | - | - | - | - | - |
| Special Ed - High | - | - | - | - | - | - | - | - | - | - | - | - |
| Subtotal | - | - | - | - | - | - | - | - | - | - | - | - |
| Co. Voc. - Regular | | | | | | | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | | | | | | | |
| Totals | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - | 1 | 1 | - |
| Percentage Error | | | 0.00% | | | 0.00% | | | 0.00% | (d) | | 0.00% |

| | Transportation | | | | | |
|----------------------------------|---------------------------------|-------------------------------|--------|--------|----------|--------|
| | Reported on DRTRS by DOE/county | Reported on DRTRS by District | Errors | Tested | Verified | Errors |
| Reg. - Public Schools, col. 1 | - | - | - | - | - | - |
| Reg -SpEd, col. 4 | - | - | - | - | - | - |
| Transported - Non-Public, col. 3 | 1 | 1 | - | 1 | 1 | - |
| Special Ed Spec, col. 6 | 12 | 12 | - | 12 | 12 | - |
| Totals | 13 | 13 | - | 13 | 13 | - |
| Percentage Error | | | | | 0.00% | |

NORTHVALE SCHOOL DISTRICT
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 | 9 | 9 | - | 9 | 9 | - |
| One | 6 | 6 | - | 6 | 6 | - |
| Two | 1 | 1 | - | 1 | 1 | - |
| Three | 3 | 3 | - | 3 | 3 | - |
| Four | 1 | 1 | - | 1 | 1 | - |
| Five | 1 | 1 | - | 1 | 1 | - |
| Six | - | - | - | - | - | - |
| Seven | - | - | - | - | - | - |
| Eight | - | - | - | - | - | - |
| Nine | | | - | | | - |
| Ten | | | - | | | - |
| Eleven | | | - | | | - |
| Twelve | | | - | | | - |
| Post-Graduate | | | | | | |
| Adult H.S. (15+CR.) | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | |
| Subtotal | <u>21</u> | <u>21</u> | <u>-</u> | <u>21</u> | <u>21</u> | <u>-</u> |
| Special Ed - Elementary | 4 | 4 | - | 4 | 4 | - |
| Special Ed - Middle | - | - | - | - | - | - |
| Special Ed - High | - | - | - | - | - | - |
| Subtotal | <u>4</u> | <u>4</u> | <u>-</u> | <u>4</u> | <u>4</u> | <u>-</u> |
| Co. Voc. - Regular | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | |
| Totals | <u>25</u> | <u>25</u> | <u>-</u> | <u>25</u> | <u>25</u> | <u>-</u> |
| Percentage Error | | | <u>0.00%</u> | (f) | | <u>0.00%</u> |

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

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

| | | |
|--|----|-----------------------|
| 2016-2017 Total General Fund Expenditures per the CAFR | \$ | 10,960,585 |
| Decreased by: | | |
| On-Behalf TPAF Pension & Social Security | \$ | (1,088,802) |
| | | |
| Adjusted 2016-2017 General Fund Expenditures | \$ | <u>9,871,783</u> |
| 2% of Adjusted 2016-2017 General Fund Expenditures | \$ | <u>197,436</u> |
| Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000 | \$ | 250,000 |
| | | |
| Increased by: | | |
| Allowable Adjustments | | <u>150,777</u> |
| Maximum Unassigned Fund Balance | \$ | <u><u>400,777</u></u> |

SECTION 2

| | | |
|--|----|-------------------------|
| Total General Fund - Fund Balance at June 30, 2017 | \$ | 3,806,134 |
| Decreased by: | | |
| Restricted | | |
| Emergency Reserve | | 250,000 |
| Maintenance Reserve | | 126,213 |
| Capital Reserve | | 1,336,974 |
| Excess Surplus - Designated for Subsequent Year's Expenditures | | 652,529 |
| Committed | | |
| Year-End Encumbrances | | 318,982 |
| Assigned | | |
| Year-End Encumbrances | | 35,635 |
| Designated for Subsequent Year's Expenditures | | <u>35,024</u> |
| Total Unassigned Fund Balance | \$ | <u><u>1,050,777</u></u> |

SECTION 3

| | | |
|--|----|-----------------------|
| Restricted Fund Balance - Excess Surplus | \$ | <u><u>650,000</u></u> |
|--|----|-----------------------|

Recapitulation of Excess Surplus as of June 30, 2017

| | | |
|---|----|-------------------------|
| Restricted Excess Surplus - Designated for Subsequent Year's Expenditures | \$ | 652,529 |
| Restricted Excess Surplus | | <u>650,000</u> |
| | \$ | <u><u>1,302,529</u></u> |

Detail of Allowable Adjustments

| | | |
|---|----|-----------------------|
| Extraordinary Aid 2016-2017 (Unbudgeted) | \$ | 150,429 |
| Nonpublic Transportation Aid 2016-2017 (Unbudgeted) | | 348 |
| | \$ | <u><u>150,777</u></u> |

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

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that the District should not approve the award of any contract where the budgetary line accounts to be charged do not contain sufficient funds available.

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

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, 2017**

X. Status of Prior Years' Audit Findings/Recommendations

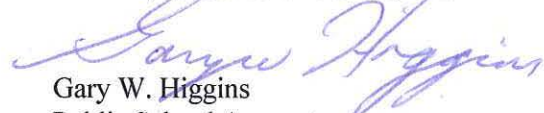
A review was performed on all prior year recommendations and corrective action was taken on all prior year recommendations.

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