

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

**RIVER EDGE BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Honorable President and Members
of the Board of Trustees
Board of Education
River Edge, 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 River Edge Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 15, 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.

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

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
September 15, 2017

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

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 contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Patricia Salvati	Board Secretary/Business Administrator (July 1, 2016-December 12, 2016)	\$ 200,000
Joseph Bellino	Interim Board Secretary/Business Administrator (December 1, 2016-June 30, 2017)	200,000
Antoinette Kelly	Treasurer of School Monies	210,000

There is Public Employee Dishonesty coverage for all other employees in the amount 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 per pupil costs 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 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 payroll taxes were deposited in the Payroll Agency Account.

All payrolls tested 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, including health benefits withholdings due to 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.

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

Financial Planning, Accounting and Reporting (Continued)

Employee Position Control Roster

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

Unemployment Compensation Trust Fund

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

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: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 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:23-8.2. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Board Secretary's Records

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

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

The prescribed contractual order system was followed.

Finding – The audit of expenditures indicated two budget line items were overexpended at June 30, 2017 as a result of audit journal entries to accrue certain unrecorded liabilities.

Recommendation – All salary related liabilities be accrued at June 30.

Treasurer's Records

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

A cash receipt tested was promptly deposited.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and 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.

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

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

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 and \$29,000, respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

If the 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 that the bid threshold may be up to \$40,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The District's business administrator is qualified and the Board has designated the business administrator as the qualified purchasing agent with a bid threshold of \$40,000.

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 Solicitor'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 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 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 provision of N.J.S.A. 18A:18A-4.

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 the district purchased items through the use of State contracts.

**RIVER EDGE 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 milk program were maintained in satisfactory condition.

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

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.

The District does not participate in the National School Lunch program.

Summer Enrichment Program

The District maintains a separate bank account for the program. Cash receipts were recorded on electronic worksheets. Cash disbursements were supported by proper documentation.

Student Body Activities

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

All 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, 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.

The district maintained workpapers on the prescribed 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 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary 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 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.

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

NOT APPLICABLE

**SCHEDULE OF NET CASH RESOURCES
FOOD SERVICE FUND**

NOT APPLICABLE

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

	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 Registers 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 - 3YR	8		8					8		8							
Half Day Preschool - 4YR	8		8					8		8							
Full Day Preschool	-		-					-		-							
Half Day Kindergarten	-		-					-		-							
Full Day Kindergarten	157		157		-	-		157		157		-	-				
One	145		145		-	-		145		145		-	-				
Two	180		180		-	-		180		180		-	-				
Three	133		133		-	-		133		133		-	-				
Four	154		154		-	-		154		154		-	-				
Five	123		123		-	-		123		123		-	-				
Six	158		158		-	-		158		158		-	-				
Seven					-	-						-	-				
Eight					-	-						-	-				
Nine					-	-						-	-				
Ten					-	-						-	-				
Eleven					-	-						-	-				
Twelve					-	-						-	-				
Post-Graduate																	
Adult H.S. (15+CR.)																	
Adult H.S. (1-14 CR.)																	
Subtotal	1,066	-	1,066	-	-	-	-	1,066	-	1,066	-	-	-	-	-	-	-
Special Ed - Elementary	98		98		-	-		41		41		-	-	2	2	2	-
Special Ed - Middle School	19		19		-	-		8		8		-	-	1	1	1	-
Special Ed - High School					-	-						-	-				-
Subtotal	117	-	117	-	-	-	-	49	-	49	-	-	-	3	3	3	-
Co. Voc. - Regular																	
Co. Voc. Ft. Post Sec.																	
Totals	1,183	-	1,183	-	-	-	-	1,115	-	1,115	-	-	-	3	3	3	-
Percentage Error					0.00%	0.00%						0.00%	0.00%				0.00%

**RIVER EDGE 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	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed - Elementary			-			-			-		-	
Special Ed - Middle			-			-			-		-	
Special Ed - High			-			-			-		-	
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	-	-	-	-	-	-	-	-	-	-	-	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools, col. 1	1	1	-	1	1	-
Reg -SpEd, col. 4	25	25	-	25	25	-
Transported - Non-Public, col. 3	-	-	-	-	-	-
Special Ed Spec, col. 6	2	2	-	2	2	-
Totals	28	28	-	28	28	-
Percentage Error					0.00%	

RIVER EDGE 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>		
	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
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	51	51	-	51	51	-
One	23	23	-	23	23	-
Two	11	11	-	11	11	-
Three	1	1	-	1	1	-
Four	5	5	-	5	5	-
Five	-	-	-	-	-	-
Six	2	2	-	2	2	-
Seven			-			-
Eight			-			-
Nine			-			-
Ten			-			-
Eleven			-			-
Twelve			-			-
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>93</u>	<u>93</u>	<u>-</u>	<u>93</u>	<u>93</u>	<u>-</u>
Special Ed - Elementary	3	3	-	3	3	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	<u>3</u>	<u>3</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>96</u>	<u>96</u>	<u>-</u>	<u>96</u>	<u>96</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**RIVER EDGE 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 Total General Fund Expenditures (Budgetary Basis) Per Schedule C-1 of the CAFR	\$ 18,299,402
Increased by:	
Transfer from Capital Reserve to Capital Projects	200,000
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(2,104,285)</u>
Adjusted 2016-2017 General Fund Expenditures	<u>\$ 16,395,117</u>
2% of Adjusted 2016-2017 General Fund Expenditures	<u>\$ 327,902</u>
Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000	\$ 327,902
Increased by Allowable Adjustments*	<u>168,584</u>
Maximum Unassigned Fund Balance	<u>\$ 496,486</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 2,545,490
Decreased by:	
Restricted	
Capital Reserve	650,227
Capital Reserve - Designated for Subsequent Year's Expenditures	100,000
Maintenance Reserve	110,000
Excess Surplus - Designated for Subsequent Year's Expenditures	575,000
Assigned	
Assigned - Year-End Encumbrances	<u>113,777</u>
Total Unassigned Fund Balance	<u>\$ 996,486</u>

SECTION 3

Restricted Fund Balance - Excess Surplus	<u>\$ 500,000</u>
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Recapitulation of Excess Surplus

Excess Surplus	\$ 500,000
Excess Surplus - Designated for Subsequent Year's Expenditures	<u>575,000</u>
	<u>\$ 1,075,000</u>

* **Detail of Allowable Adjustment**

Extraordinary Aid (Unbudgeted Portion)	\$ 167,192
Nonpublic Transportation Aid Reimbursement	<u>1,392</u>
Total Adjustments	<u>\$ 168,584</u>

**RIVER EDGE 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 all salary related liabilities be accrued at June 30.

III. School Purchasing Program

There are none.

IV. School Food Service

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.

Status of Prior Years' Audit Findings/Recommendations

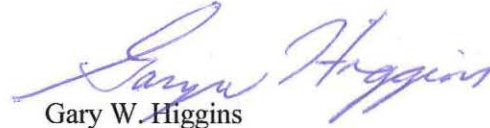
There were none.

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