

**SADDLE RIVER BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

**SADDLE RIVER BOARD OF EDUCATION
TABLE OF CONTENTS**

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page No.</u>
Report of Independent Auditor	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4-5
Food Service Fund	5
Student Activity Accounts	5
Application for State School Aid	5-6
Pupil Transportation	6
Miscellaneous	6
Schedule of Milk Count Activity – Not Applicable	7
Schedule of Net Cash Resources – Not Applicable	7
Schedule of Audited Enrollments	8-10
Calculation of Excess Surplus	11
Recommendations	12
Acknowledgement	13



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
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, 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, 2018, and have issued our report thereon dated January 28, 2019.

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

Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
January 28, 2019

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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>
Thomas Duane	Business Administrator/ Board Secretary	\$100,000
Linda Canavan	Treasurer of School Monies	180,000

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.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

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.

Finding – Our audit indicated that the quarterly IRS forms 941 for calendar year 2017 did not accurately report the amount of employee wages subject to federal taxation and did not agree with the IRS W-3. Federal wages reported on 941's exceeded W-3 by \$333,072.

Recommendation – The quarterly IRS forms 941 be amended to ensure agreement with employee W-2's with respect to wages subject to federal taxation.

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.

Finding – Two contracts issued by the Board totaling \$134,993 were not encumbered as of June 30.

Recommendation – All contract awards be encumbered in the District records.

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).

Finding – Our audit indicated that additional state aid and other miscellaneous revenues received by the District were appropriated in the District's 2017-18 budget report but was not formally approved by Board resolution.

Recommendation - Additional budget appropriations be formally approved by the Board and included in the official minutes.

Finding – The encumbrances payable per the budget appropriations report did not agree with open purchase order report and vendor reports.

Recommendation – The open purchase order report be reconciled with the budget appropriations report and vendor reports.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

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.) as Amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A./ESSA 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 and IV of the Elementary and Secondary Education Act as amended.

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

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, 2018.

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 \$19,000 for 2017-18.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Purchasing Programs (Continued)

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.

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 2017/2018. 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.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 13, 2017 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 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 2017-2018 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.

Miscellaneous

The school district did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

**SADDLE RIVER BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MILK SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

**SADDLE RIVER BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 13, 2017**

	2018-19 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	5		5					5		5							
Full Day Preschool - 3 years																	
Half Day Preschool - 4 years																	
Full Day Preschool - 4 years	6		6					6		6							
Half Day Kindergarten																	
Full Day Kindergarten	18		18					18		18							
1st Grade	18		18					18		18							
2nd Grade	31		31					31		31							
3rd Grade	20		20					20		20							
4th Grade	18		18					18		18							
5th Grade	14		14					14		14							
6th Grade																	
7th Grade																	
8th Grade																	
9th Grade																	
10th Grade																	
11th Grade																	
13th Grade																	
Subtotal	130	-	130	-	-	-	-	130	-	130	-	-	-	-	-	-	-
Spec Ed - Elementary	17		17					12		12							
Spec Ed - Middle School													2	2	2		
Spec Ed - High School													1	1	1		-
Subtotal	17	-	17	-	-	-	-	12	-	12	-	-	-	3	3	3	-
Totals	147	-	147	-	-	-	-	142	-	142	-	-	-	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 (A.S.S.A.)
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 13, 2017**

	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	197	197		41	41	-
Transported - Non-Public	31	31		5	5	-
Regular - Spec.	2	2		1	1	-
Special Needs - Public	45	45	-	9	9	-
Totals	<u>275</u>	<u>275</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 (A.S.S.A.)
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 13, 2017**

	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, 2018**

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

2017-2018 Total General Fund Expenditures per the CAFR	\$ 9,106,460
Decreased by:	
On-Behalf TPAF Pension & Social Security	613,397
Adjusted 2017-2018 General Fund Expenditures	\$ 8,493,063
2% of Adjusted 2017-2018 General Fund Expenditures	\$ 169,861
Enter Greater of 2% of Adjusted 2017-2018 General Fund Expenditures or \$250,000	\$ 250,000
Increased by: Allowable Adjustments-Nonpublic Transportation	19,342
Extraordinary Aid	79,916
Maximum Unassigned Fund Balance	\$ 349,258

SECTION 2

Total General Fund - Fund Balance at June 30, 2018 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 1,763,275
Decreased by:	
Year End Encumbrances	\$ 171,657
Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	381,183
Other Restricted Fund Balance - Capital Reserve	600,811
Reserved Fund Balance-Designated for Subsequent Year's Expenditures	50,160
	1,203,811
Total Unassigned Fund Balance	\$ 559,464

SECTION 3

Restricted Fund Balance - Excess Surplus	\$ 210,206
<u>Recapitulation of Excess Surplus as of June 30, 2018</u>	
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures	\$ 381,183
Reserved Excess Surplus	210,206
Total Excess Surplus	\$ 591,389

**SADDLE RIVER BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Additional budget appropriations be formally approved by the Board and included in the official minutes.
2. The quarterly IRS forms 941 be amended to ensure agreement with employee W-2's with respect to wages subject to federal taxation.
3. The open purchase order report be reconciled with the budget appropriations report and vendor reports.
4. All contract awards be encumbered in the District records.

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

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



Dieter P. Lerch
Certified Public Accountant
Public School Accountant