TOTOWA BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2025

TOTOWA BOARD OF EDUCATION
TABLE OF CONTENTS

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

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Honorable President and Members
of the Board of Education
Totowa Board of Education
County of Passaic, 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 Totowa Board of Education, County of Passaic, as of and for the fiscal year ended June 30, 2025, and have issued our report thereon dated September 16 , 2025.

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 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 & BLISS, LLP

Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
September 16, 2025

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TOTOWA BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, 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 ACFR.

Official Bonds

Name	Position	Amount
Vincent Varcadipane	Board Secretary/School Business Administrator	$15,000
Lisa Nash	Treasurer of School Monies	225,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Way Insurance covering all other employees with multiple coverage of $2,500.

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 each of 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 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 amounts withheld due to the General Fund

The District filed the required certification (ECERT1) of compliance with requirements for income tax on compensation of administrators with the New Jersey Department of Treasury by the March 15 due date.

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

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 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: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. 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. As a result of the procedures performed, no transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's and Treasurer'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.

Cash reconciliations for the general operating account, payroll account and payroll agency account were performed.

Finding 2025-001 – the audit of the Capital Projects revealed:

a) Certain charges were misclassified.
b) Contract award was not fully encumbered.
c) Contract award exceeded $2.5 million and the OSC was not notified.

Recommendation – Capital Projects be accounted for in accordance with regulations prescribed by N.J. Administrative Code.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (E.S.S.A.)

The E.S.E.A. financial exhibits are contained within the Special Revenue section of the ACFR. This section of the ACFR documents the financial position pertaining to projects under Title I, II, and III of the Elementary and Secondary Education Act as amended.

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 ACFR.

Our audit of the 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.

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.

School Purchasing Programs

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds are in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are $44,000 (with a Qualified Purchasing Agent) and $32,000 (without a qualified purchasing agent), respectively. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is $20,200 for 2022-23.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within 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. Our audit noted no violations occurred.

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 school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded $100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (the "SFA") had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

SFA expenditures of school food service revenues were limited to allowable direct costs.

The Statement of Revenues, Expenses, and Changes in Net Position (ACFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

<u>Food Service Fund</u> (Continued)

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

The cash disbursements 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 Child Nutrition Program operations are included in the section entitled Enterprise Funds.

The District had contracted with Pomptonian to operate and manage its food service program for 2024/25.

Net cash resources did not exceed three months average expenditures.

We inquired of management and the District did not submit a Non-Cooperative Procurement contract due to the Public Health emergency pandemic.

Inquiry of management confirmed the District operated the meal service program in accordance with the National School Nutrition Program and reported the number of meals claimed for reimbursement in accordance with the applicable program regulations.

<u>Student Activity Funds</u>

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

All disbursements were supported by proper documentation.

<u>Application for State School Aid</u>

Our audit procedures included a test of information reported in the October 15, 2024 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low income, related services and bilingual students. 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 with minor exceptions. The information that was included on the workpapers was verified with minor exceptions. 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.

<u>Pupil Transportation</u>

Our procedures included a test of on roll status reported in the 2024-25 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 also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purpose of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

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

Follow-up on Prior Year Findings

Corrective action has been taken.

SCHEDULE OF MEAL COUNT ACTIVITY

NOT APPLICABLE

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

TOTOWA BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2024

	2024-2025 Application for State School Aid						Sample for Verification						On Roll - Special Education			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		Sample for Verifi-cation	Sample Verified	Sample Errors	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		-		2	2					
Half Day Preschool - 4 years	4		4		-		4		4		-		4	4					
Full Day Preschool - 3 years	18		18		-		18		18		-		18	18					
Full Day Preschool - 4 years	26		26		-		26		26		-		26	26					
Half Day Kindergarten	-		-				-		-				-	-					
Full Day Kindergarten	80		80		-		80		80		-		80	80					
1st Grade	71		71		-		71		71		-		71	71					
2nd Grade	73		73		-		73		73		-		73	73					
3rd Grade	81		81		-		81		81		-		81	81					
4th Grade	84		84		-		84		84		-		84	84					
5th Grade	82		82		-		82		82		-		82	82					
6th Grade	78		78		-		78		78		-		78	78					
7th Grade	93		93		-		93		93		-		93	93					
8th Grade	88		88		-		88		88		-		88	88					
9th Grade																			
10th Grade																			
11th Grade																			
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-							
Subtotal	780.0	-	780.0	-	-	-	780.0	-	780.0	-	-	-	780.0	780.0	-	-	-	-	-
Spec Ed - Elementary	73		73		-		73		73		-		73	73		2			
Spec Ed - Middle School	39		39				39		39				39	39		2	1	1	-
Spec Ed - High School	-	-	-	-	-	-				-	-	-	-	-	-	-	-	-	-
Subtotal	112.0	-	112.0	-	-	-	112.0	-	112.0	-	-	-	112.0	112.0	-	4.0	1.0	1.0	-
Totals	892.0	-	892.0	-	-	-	892.0	-	892.0	-	-	-	892.0	892.0	-	4.0	1.0	1.0	-
Percentage Error					0.00%						0.00%				0.00%				0.00%

TOTOWA BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2024

	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)	1	1										
Full Day Pre-School (3 Yrs)	6	6		1	1							
Full Day Pre-School (4 Yrs)	5	5		1	1							
Half Day Kindergarten	-	-										
Full Day Kindergarten	21	21	-	5	5	-						
1st Grade	22	22	-	4	4	-						
2nd Grade	29	29	-	7	7	-	1	1	-			
3rd Grade	18	18	-	4	4	-	1	1	-			
4th Grade	26	26	-	5	5	-	3	3	-	1	1	
5th Grade	26	26	-	5	5	-	1	1	-	1	1	
6th Grade	20	20	-	4	4	-	1	1	-	1	1	
7th Grade	31	31	-	7	7	-	3	3	-	1	1	
8th Grade	27	27	-	6	6	-	1	1	-			
9th Grade												
10th Grade	-											
11th Grade												
12th Grade	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	232.0	232.0	-	49.0	49.0	-	11.0	11.0	-	4.0	4.0	-
Spec Ed - Elementary	29	29	-	6	6	-	1	1				
Spec Ed - Middle School	18	18	-	3	3	-						
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	47.0	47.0	-	9.0	9.0	-	1.0	1.0	-	-	-	-
Totals	279.0	279.0	-	58.0	58.0	-	12.0	12.0	-	4.0	4.0	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	44.0	44.0	-	13.0	13.0	-
AIL - Non-Public	47.0	47.0	-	14.0	14.0	-
Regular - Spec.	1.0	1.0	-	-	-	-
Special Needs - Public	18.0	18.0	-	6.0	6.0	-
Totals	110.0	110.0	-	33.0	33.0	-
			0.00%			0.00%

TOTOWA BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2024

	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						
1st Grade						
2nd Grade						
3rd Grade						
4th Grade	1	1		1	1	
5th Grade						
6th Grade						
7th Grade	2	2		2	2	
8th Grade	1	1		1	1	
9th Grade						
10th Grade						
11th Grade						
12th Grade	-	-	-	-	-	-
Subtotal	4	4	-	4	4	-
Spec Ed - Elementary						
Spec Ed - Middle School						
Spec Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	4	4	-	4	4	-
Percentage Error			0.00%			0.00%

TOTOWA BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2024-2025 expenditures of $100 million or less)

2024-2025 Total General Fund Expenditures per the ACFR		$ 20,031,062
Increased by:		
Transfer from Capital Reserve to Capital Projects		2,013,000
Decreased by:		
On-Behalf TPAF Pension & Social Security		(3,705,923)
Adjusted 2024-2025 General Fund Expenditures		$ 18,338,139
2% of Adjusted 2024-2025 General Fund Expenditures		$ 366,763
Enter Greater of 2% of Adjusted 2024-2025 General Fund Expenditures or $250,000		
Increased by:		
Allowable Adjustment*		123,767
Maximum Unassigned Fund Balance		$ 490,530

SECTION 2

Total General Fund - Fund Balance at June 30, 2025		$ 27,277,234
Decreased by:		
Year End Encumbrances	$ 14,281	
Unemployment Compensation	129,692	
Capital Reserve	9,448,068	
Excess Surplus - Designated for Subsequent Year	7,419,506	
		17,011,547
Total Unassigned Fund Balance		$ 10,265,687

SECTION 3

Restricted Fund Balance - Excess Surplus	$ 9,775,157

Recapitulation of Excess Surplus

Restricted Excess Surplus - Designated for Subsequent Years	$ 7,419,506
Restricted Excess Surplus	9,775,157
Total	$ 17,194,663

* Detail of Allowable Adjustment	
Extraordinary Aid	$ 101,818
Non Public Transportation Aid Reimbursement	21,949
	$ 123,767

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

2025-001 - It is recommended that Capital Projects be accounted for in accordance with regulations prescribed by N.J. Administrative Code.

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.

RECOMMENDATIONS

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

There were no 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 & BLISS, LLP

Dieter P. Lerch
Public School Accountant
Certified Public Accountant