

**RIVER VALE BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

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

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INDEPENDENT AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Trustees
River Vale Board of Education
River Vale, 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 Vale Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 1, 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

Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 1, 2017

**RIVER VALE 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 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 reported on Exhibit J-20 as contained in the district's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Kelly Ippolito	Board Secretary/School Business Administrator	\$150,000
Gennaro Rotella	Treasurer of School Monies	\$300,000

There is Employees' Dishonesty with Faithful Performance coverage with Selective Insurance Company of America covering all other employees with multiple coverage of \$100,000.

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

All payrolls tested were certified by the President of the Board and Board Secretary/Business Administrator and Chief School Administrator.

The net salaries of all employees tested of the Board were deposited in the Payroll Account. Employees' payroll deductions tested and employer's share of fringe benefits tested were deposited in the Payroll Agency Account.

Payrolls were delivered to the Treasurer of School Monies with a warrant made to her order for the full amount of each payroll.

Salary withholdings were promptly remitted to the proper agencies, including health benefits contribution amounts to the general fund.

The District filed the required Certification (ECERT1) of Compliance with requirements for income tax compensation of certain administration with the NJ Department of Treasury by the March 15 due date.

Employee Position Control Roster

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

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

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.

Board Secretary's Records

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

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

Bids received were summarized in the minutes.

Treasurer's Records

The Treasurer did perform reconciliations for the general operating account, food service account, net payroll account and payroll agency account.

The Treasurer's records were in agreement with the Board Secretary's records.

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 School 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.

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.

**RIVER VALE 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 Exhibits 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 are contained within the Special Revenue Fund section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Finding – The State Department of Education conducted a review of the Individuals with Disabilities Educating Act. The review covered the period July 1, 2015 through February 28, 2017. There were four (4) findings noted in the report. On November 14, 2017, the District approved a corrective action plan to address the findings noted in the State's monitoring report.

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.

Finding (2017-001) – Our audit of T.P.A.F. FICA reimbursements revealed the salaries used to determine the amount reimbursed by the State for FICA included certain non-pensionable wages.

Recommendation – The District review with its financial accounting software vendor the T.P.A.F. FICA calculation to ensure T.P.A.F. FICA reimbursements are based only on pensionable wages subject to FICA.

TPAF Reimbursement to the State for Federal Salary Expenditures

There were no TPAF employees' salaries paid from federal funds during the current fiscal year. Therefore, no TPAF reimbursement amounts were due to the State at June 30, 2017.

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 contracts 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 fiscal 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 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.* 18:A18-4.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

Food Service Fund

The School Food Service Program was not selected as a major program as the District was not subject to a federal single audit. Additionally, the federal program expenditures were not in excess of \$100,000 for the year.

The financial transactions and statistical records of the school food services were maintained in satisfactory condition.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as milk and other costs. Vendor invoices were reviewed and costs verified.

There was no inventory at June 30, 2017.

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 of the CAFR entitled Enterprise Funds.

Park Academy Fund

Cash receipts and cash disbursements were maintained in good condition and in accordance with established Board policy.

Student Activity Funds

The Board has a policy, which clearly establishes the regulation of Student Activity Funds.

Cash receipts and disbursements records for the various schools were maintained in satisfactory condition.

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 school for the handicapped, low-income and bilingual education. 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 exceptions noted. The information that was included on the workpapers was verified with immaterial exceptions noted. 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.

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

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2016-17 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. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

**RIVER VALE BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MILK COUNTY ACTIVITY
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**RIVER VALE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on	Sample		
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as	for		
	On Roll		On Roll		Full		Workpapers		On Roll		On Roll		Private	Verifi-	Sample	Sample
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Errors	
Half Day Preschool - 3 yrs	7		7		-	-	7		7		-	-				
Half Day Preschool - 4 yrs	5		5		-	-	5		5		-	-				
Full Day Kindergarten	106		106		-	-	59		59		-	-				
GRADE 1	90		90		-	-	34		34		-	-				
GRADE 2	104		104		-	-	58		58		-	-				
GRADE 3	113		113		-	-	55		55		-	-				
GRADE 4	126		126		-	-	69		69		-	-				
GRADE 5	102		102		-	-	55		55		-	-				
GRADE 6	122		122		-	-	122		122		-	-				
GRADE 7	116		116		-	-	116		116		-	-				
GRADE 8	133		133		-	-	133		133		-	-				
GRADE 9	-	-	-	-	-	-	-	-	-	-	-	-				
GRADE 10	-	-	-	-	-	-	-	-	-	-	-	-				
GRADE 11	-	-	-	-	-	-	-	-	-	-	-	-				
GRADE 12	-	-	-	-	-	-	-	-	-	-	-	-				
Subtotal	1,024	-	1,024	-	-	-	713	-	713	-	-	-	-	-	-	-
Spec Ed - Elementary	70	-	70	-	-	-	26	-	26	-	-	-	1	1	1	-
Spec Ed- Middle School	62	-	62	-	-	-	23	-	23	-	-	-	6	6	6	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	132	-	132	-	-	-	49	-	49	-	-	-	7	7	7	-
Totals	1,156	-	1,156	-	-	-	762	-	762	-	-	-	7	7	7	-
Percentage Error	<u>0.00%</u>						<u>0.00%</u>						<u>0.00%</u>			

**RIVER VALE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	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 ASSA	Reported on Workpapers	Errors	Sample Selected	Sample Verified	Errors
Full Day Preschool - 3 years	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool - 4 years	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1.0	-	(1)	-	-	-	-	-	-	-	-	-
GRADE 1	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 2	-	1.0	1	1.0	-	(1)	-	-	-	-	-	-
GRADE 3	1.0	-	(1)	-	-	-	-	-	-	-	-	-
GRADE 4	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 5	1.0	2.0	1	2.0	1.0	(1)	-	-	-	-	-	-
GRADE 6	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 7	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 8	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 9	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 10	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 11	-	-	-	-	-	-	-	-	-	-	-	-
GRADE 12	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	3	3	-	3	1	(2)	-	-	-	-	-	-
Spec Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed- Middle School	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
Totals	3.0	3.0	-	3	1	(2)	-	-	-	-	-	-
Percentage Error			<u>0.00%</u>			<u>-66.67%</u>			<u>#DIV/0!</u>			<u>#DIV/0!</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	79	79	-	54	54	-
Regular - Sped.	-	-	-	-	-	-
Transported- Non- Public	18	18	-	12	12	-
Special Needs- Public	20	20	-	14	14	-
Totals	117.0	117.0	-	80.0	80.0	-
Percentage Error			<u>0.00%</u>		9	<u>0.00%</u>

**RIVER VALE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP NOT Low Income			Sample for Verification		
	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
Full Day Preschool - 3 years	-	-	-	-	-	-
Full Day Preschool - 4 years	-	-	-	-	-	-
Full Day Kindergarten	2	2	-	2	2	-
GRADE 1	5	5	-	5	5	-
GRADE 2	-	-	-	-	-	-
GRADE 3	2	2	-	2	2	-
GRADE 4	-	-	-	-	-	-
GRADE 5	-	-	-	-	-	-
GRADE 6	2	2	-	2	2	-
GRADE 7	-	-	-	-	-	-
GRADE 8	1	1	-	1	1	-
GRADE 9	-	-	-	-	-	-
GRADE 10	-	-	-	-	-	-
GRADE 11	-	-	-	-	-	-
GRADE 12	-	-	-	-	-	-
	12	12	-	12	12	-
Subtotal						
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed- Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
	-	-	-	-	-	-
Totals	12	12	-	12	12	-
Percentage Error		<u>0.00%</u>			<u>0.00%</u>	

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

2016-2017 Total General Fund Expenditures per the CAFR	\$	23,602,387
Decreased by:		
On-Behalf TPAF Pension & Social Security		(2,570,318)
Adjusted 2016-2017 General Fund Expenditures		21,032,069
2% of Adjusted 2016-2017 General Fund Expenditures		420,641
Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000		420,641
Increased by:		
Allowable Adjustment		265,319
Maximum Unassigned Fund Balance	\$	685,960
Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison schedule/statement)	\$	6,043,200
Decreased by:		
Year-End Encumbrances		1,023,818
Capital Reserve		3,375,578
Maintenance Reserve		450,000
Excess Surplus - Designated for Subsequent Year's Expenditures		265,263
Total Unreserved/Undesignated Fund Balance for Excess Surplus Calculation	\$	928,541
Restricted Fund Balance - Excess Surplus	\$	242,581
<u>Recapitulation of Excess Surplus as of June 30, 2017</u>		
Excess Surplus - Designated for Subsequent Year's Expenditures	\$	265,263
Excess Surplus		242,581
	\$	507,844
<u>Detail of Allowable Adjustments</u>		
Non-Public Transportation Aid	\$	4,524
Extraordinary Aid		260,795
	\$	265,319

RIVER VALE BOARD OF EDUCATION

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that the District review with its financial accounting software vendor the T.P.A.F. FICA calculation to ensure T.P.A.F. FICA reimbursements are based only on pensionable wages subject to FICA.

III. School Purchasing Program

There are none.

IV. Food Service Fund

There are none.

V. Park Academy Fund

There are none.

VI. Student Body Activities

There are none.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Miscellaneous

There are none.

X. Facilities and Capital Assets

There are none.

XI. Status of Prior Year 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



Paul J. Lerch
Public School Accountant
Certified Public Accountant