

**RIVER VALE BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2013**

**RIVER VALE BOARD OF EDUCATION  
TABLE OF CONTENTS**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page No.</u>
Auditor's Management Report	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4
Food Service Fund	5
Park Academy Fund	5
Student Activity Funds	5
Application for State School Aid	5
Pupil Transportation	6
Facilities and Capital Assets	6
Schedule of Meal Count Activity - Not Applicable	7
Schedule of Audited Enrollments	8-10
Calculation of Excess Surplus	11
Recommendations	12
Acknowledgment	12



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## 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, 2013, and have issued our report thereon dated November 8, 2013.

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  
November 8, 2013

**RIVER VALE BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**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	\$100,000
Gennaro Rotella	Treasurer of School Monies	\$250,000

There is Employees' Dishonesty with Faithful Performance coverage with Zurich Insurance Company 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. 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 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.

**Finding-**Our audit of the quarterly payroll tax revealed that the payment for February 15, 2013 was not paid timely. The federal withholding tax was paid timely however the social security portion wasn't paid until March 18, 2013 after receiving a IRS tax notice.

**Recommendation-**It is recommended that the district utilize the Electronic Federal Tax Payment System to confirm that the Districts tax payments have been made timely and properly recorded to their account.

**RIVER VALE BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Financial Planning, Accounting and Reporting (Continued)**

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

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, 2013**

**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.

**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**

**Contracts and Agreements Requiring Advertisement for Bids**

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3 are \$36,000 (with a qualifying purchasing agent) and \$26,000 (without a qualifying purchasing agent), respectively. On July 26, 2010, the Board appointed the School Business Administrator as a qualified purchasing agent for the Board which raises the bidding threshold to \$36,000. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$17,500.

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. 18A:18-4.

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 VALE BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Food Service Fund**

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis.

The number of milks claimed for reimbursement was compared to sales and milk records. As part of the claims review process, the edit check worksheet was completed.

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

Applications for free milks were reviewed for completeness and accuracy. The number of free milks claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free milk policy is uniformly administered throughout the School System. The required verification procedure for free applications was completed and available for review with no exceptions noted.

There was no inventory at June 30, 2013.

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.

**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 15, 2012 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 exception. The information that was included on the workpapers was verified with no exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms of 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, 2013**

**Pupil Transportation**

Our audit procedures included a test of on-roll status reported in the 2012-13 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions. 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 AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOT APPLICABLE**



**RIVER VALE BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
SCHEDULE OF AUDITED ENROLLMENTS  
ENROLLMENT AS OF OCTOBER 15, 2012**

	Low Income		Reported on A.S.S.A as Low Income		Sample for Verification		LEP Low Income		Sample for Verification	
	Reported on A.S.S.A as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register
Half Day Pre-School (3 Yrs)	-	-	-	-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	1	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1	-	-	-	-	-	-	-	-	-
1st Grade	1	-	1	1	-	-	-	-	-	-
2nd Grade	1	-	1	1	-	-	-	-	-	-
3rd Grade	1	-	1	1	-	-	-	-	-	-
4th Grade	1	-	1	1	-	-	-	-	-	-
5th Grade	1	-	1	1	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-	-	-	-	-
7th Grade	1	-	1	1	-	-	-	-	-	-
8th Grade	2	-	2	2	-	-	-	-	-	-
9th Grade	-	-	-	-	-	-	-	-	-	-
10th Grade	-	-	-	-	-	-	-	-	-	-
11th Grade	-	-	-	-	-	-	-	-	-	-
12th Grade	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>8</b>	<b>0.00%</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Spec Ed - Elementary	-	-	-	-	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Totals</b>	<b>8</b>	<b>0.00%</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>

	Transportation		Reported on DRTRS by District		Reported on DRTRS by DOE		Sample for Verification		Percentage Error	
	Reported on District	Errors	Tested	Verified	Reported on DOE	Errors	Sample Selected from Workpapers	Verified to Application and Register	Percentage Error	Percentage Error
Regular - Public Schools	113	8	42	42	105	8	-	-	-	-
Transported - Non-Public	25	-	15	15	25	-	-	-	-	-
Regular - Spec.	13	(8)	5	5	21	(8)	-	-	-	-
Special Needs - Public	14.5	-	4	4	14.5	-	-	-	-	-
<b>Totals</b>	<b>165</b>	<b>0.00%</b>	<b>66</b>	<b>66</b>	<b>165</b>	<b>0.00%</b>	<b>66</b>	<b>66</b>	<b>0.00%</b>	<b>0.00%</b>

**RIVER VALE BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
SCHEDULE OF AUDITED ENROLLMENTS  
ENROLLMENT AS OF OCTOBER 15, 2012**

	LEP Not Low Income		Sample for Verification	
	Reported on A.S.A as Low Income	Workpapers as Low Income	Selected from Workpapers	Verified to Register
	Income	Errors	Sample Errors	Sample Errors
Half Day Pre-School (3 Yrs)	-	-	-	-
Half Day Pre-School (4 Yrs)	-	-	-	-
Half Day Kindergarten	-	-	-	-
Full Day Kindergarten	5	5	4	4
1st Grade	3	3	3	3
2nd Grade	5	5	4	4
3rd Grade	1	1	1	1
4th Grade	-	-	-	-
5th Grade	-	-	-	-
6th Grade	2	2	2	2
7th Grade	2	2	2	2
8th Grade	-	-	-	-
9th Grade	-	-	-	-
10th Grade	-	-	-	-
11th Grade	-	-	-	-
12th Grade	-	-	-	-
<b>Subtotal</b>	<b>18</b>	<b>18</b>	<b>16</b>	<b>16</b>
Spec Ed - Elementary	-	-	-	-
Spec Ed- Middle School	-	-	-	-
Spec Ed - High School	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>18</b>	<b>18</b>	<b>16</b>	<b>16</b>
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, 2013**

**SECTION 1**

**Two Percent (2%) - Calculation of Excess Surplus**

2012-2013 Total General Fund Expenditures per the CAFR	\$ 21,255,983
Increased by:	
Transfer from Capital Reserve to Capital Projects Fund	
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(2,021,951)</u>
Adjusted 2012-2013 General Fund Expenditures	<u>\$ 19,234,032</u>
2% of Adjusted 2012-2013 General Fund Expenditures	<u>\$ 384,681</u>
Enter Greater of 2% of \$250,000	384,681
Increased by:	
Allowable Adjustments	<u>188,448</u>
	<u>\$ 573,129</u>

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2013 (Budgetary Basis)	\$ 3,258,579
Decreased by:	
Year End Encumbrances	1,483,282
Excess Surplus - Designated for Subsequent Year's Expenditures	283,335
Other Reserved Fund Balances - Capital Reserve	<u>641,463</u>
Total Unassigned Fund Balance	<u>850,499</u>
Reserved Fund Balance - Excess Surplus (June 30, 2013)	<u>\$ 277,370</u>

**SECTION 3**

**Recapitulation of Excess Surplus as of June 30, 2013**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 283,335
Reserved Excess Surplus	<u>277,370</u>
Total	<u>\$ 560,705</u>

**Detail of Allowable Adjustments**

Additional Nonpublic School Transportation Aid	\$ 3,470
Extraordinary Aid	<u>184,978</u>
	<u>\$ 188,448</u>

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 utilize the Electronic Federal Tax Payment System to confirm that the District's tax payments have been made timely and properly recorded to their account.

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. **Miscellaneous**

There are none.

IX. **Facilities and Capital Assets**

There are none.

X. **Status of Prior Year Audit Findings/Recommendations**

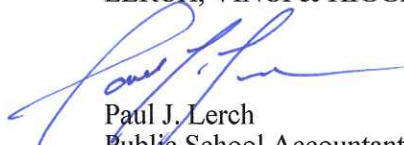
There were no prior year recommendations.

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 & HIGGINS, LLP



Paul J. Lerch  
Public School Accountant  
Certified Public Accountant