

**NORTH CALDWELL BOARD OF EDUCATION  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2015**

**NORTH CALDWELL BOARD OF EDUCATION  
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Report of Independent Auditor's	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	4-5
Student Activity Funds	5
Application for State School Aid	5
Pupil Transportation	6
Facilities and Capital Assets	6
Follow-up on Prior Year Findings	6
Schedule of Meal 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
Acknowledgment	13



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## REPORT OF INDEPENDENT AUDITOR'S

Honorable President and Members  
of the Board of Trustees  
North Caldwell Board of Education  
North Caldwell, New Jersey

We have audited in accordance with generally accepted audit standards in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the North Caldwell Board of Education as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 18, 2015.

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

Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
December 18, 2015

**NORTH CALDWELL BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 and 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>
Michael Halik	Business Administrator	\$125,000
William Stepka	Treasurer of School Moneys	200,000

There is employee dishonesty bond coverage on all other employees with coverage of \$250,000.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

An examination of claims paid during the period under review did not reveal any discrepancies with respect to signatures, certifications 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 certified by the President of the Board, 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.

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

**Finding** – The audit of the health waiver or opt-out payments disclosed that the payments were calculated based upon the total premium cost not the total premium cost less the employees calculated contribution resulting in certain waiver payments being incorrect. No recommendation is warranted since the differences are deemed immaterial.

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

**Employee Position Control Roster**

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

**NORTH CALDWELL BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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: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 classification.

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 Expendable Trust Fund.

Board Secretary's Records

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

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Acknowledgement 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.

The capital asset records were updated for the additions and disposals of capital assets made during the year.

Treasurer's Records

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

All cash receipts were promptly deposited.

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

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A. 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 IIA of the Elementary and Secondary Education Act of 1965.

Our examination of the Federal 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.

**NORTH CALDWELL BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

**Other Special Federal and/or State Projects**

The District's Special Projects were approved as listed on Schedule A Exhibit (K-3) and Schedule B Exhibit (K-4) located in the CAFR.

Our audit 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 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.

**T.P.A.F. Reimbursements to State for Federal Salary Expenditures**

None.

**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-3 (as amended) and 18A:39-3 are \$36,000 and \$26,000, respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300.

Pursuant to N.J.S.A. 18A:18A-3, a board of education may increase the bid threshold to \$36,000 if the District employs a Qualified Purchasing Agent. The District's Purchasing Agent is qualified pursuant to subsection b of section 9 of P.L. 1971, c. 198 (c. 40A:11-9) and the board of education by resolution has increased the bid threshold to \$36,000.

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 Board Solicitor's opinion should be sought before a commitment is made.

In as much 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 did not indicate the payments, contracts, or agreements were made" for the performance of any work or the furnishings or hiring of any material or supplies" 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.

**NORTH CALDWELL BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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 that purchases were made through the use of state contracts. These contracts were approved in the official minutes.

**Student Activity Funds**

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

Cash receipts were deposited timely.

Cash disbursements had proper supporting documentation.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (A.S.S.A.) for on-roll, private schools for handicapped, related services, and 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 results of our procedures are presented in the Schedule of Audited Enrollments with no exceptions.

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.

**NORTH CALDWELL BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2014-15 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with no exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments with no isolated exception noted.

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.

**Facilities and Capital Assets**

Our procedures included a review of the SDA grant agreements 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. No exceptions were noted.

**Follow-up on Prior Year Findings**

Corrective action was taken on the prior year finding.

**NORTH CALDWELL BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SCHEDULE OF MEAL COUNT ACTIVITY**

**NOT APPLICABLE**

**FOOD SERVICE FUND  
SCHEDULE OF NET CASH RESOURCES  
AS OF JUNE 30, 2015**

**NOT APPLICABLE**

**NORTH CALDWELL BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2014**

	2015-2016 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	8	-	8	-	-	-	8	-	8	-	-	-	-	-	-	-
Half Day Preschool - 4 years	8	-	8	-	-	-	8	-	8	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	76	-	76	-	-	-	76	-	76	-	-	-	-	-	-	-
1st Grade	86	-	86	-	-	-	86	-	86	-	-	-	-	-	-	-
2nd Grade	80	-	80	-	-	-	80	-	80	-	-	-	-	-	-	-
3rd Grade	77	-	77	-	-	-	77	-	77	-	-	-	-	-	-	-
4th Grade	76	-	76	-	-	-	76	-	76	-	-	-	-	-	-	-
5th Grade	74	-	74	-	-	-	74	-	74	-	-	-	-	-	-	-
6th Grade	70	-	70	-	-	-	70	-	70	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>555</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>555</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	85	-	85	-	-	-	58	-	58	-	-	-	2	2	2	-
Spec Ed - Middle School	18	-	18	-	-	-	12	-	12	-	-	-	1	1	1	-
<b>Subtotal</b>	<b>103</b>	<b>-</b>	<b>103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>-</b>	<b>70</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>-</b>
<b>Totals</b>	<b>658</b>	<b>-</b>	<b>658</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>625</b>	<b>-</b>	<b>625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>-</b>
<b>Percentage Error</b>					<b>0.00%</b>					<b>0.00%</b>					<b>0.00%</b>	

NORTH CALDWELL BOARD OF EDUCATION  
 APPLICATION FOR STATE SCHOOL AID  
 SCHEDULE OF AUDITED ENROLLMENTS  
 OCTOBER 15, 2014

	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)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
1st Grade	-	-	-	-	-	-	-	-	-	-	-	-
2nd Grade	-	-	-	-	-	-	-	-	-	-	-	-
3rd Grade	1	1	-	1	1	-	-	-	-	-	-	-
4th Grade	-	-	-	-	-	-	-	-	-	-	-	-
5th Grade	-	-	-	-	-	-	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Spec Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	93	93	-	19	19	-
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	3	3	-	1	1	-
Special Needs - Public	17	17	-	4	4	-
<b>Totals</b>	<b>113</b>	<b>113</b>	<b>-</b>	<b>24</b>	<b>24</b>	<b>-</b>
			<u>0.00%</u>			<u>0.00%</u>

**NORTH CALDWELL BOARD OF EDUCATION**  
**APPLICATION FOR STATE SCHOOL AID**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**OCTOBER 15, 2014**

	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	-	-	-	-	-	-
5th Grade	-	-	-	-	-	-
6th Grade	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-
<b>Totals</b>	-	-	-	-	-	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**NORTH CALDWELL BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION 1 - Two Percent (2%) - Calculation of Excess surplus (2014-2015 expenditures of \$100 million or less)**

2014-2015 Total General Fund Expenditures per the CAFR	\$ 12,366,747
Increased by:	
Transfer from Capital Reserve to Capital Projects	370,500
Decreased by:	
On-Behalf TPAF Pension & Social Security	(1,058,102)
Adjusted 2014-2015 General Fund Expenditures	\$ 11,679,145
2% of Adjusted 2014-2015 General Fund Expenditures	\$ 233,583
Enter Greater of 2% of Adjusted 2014-2015 General Fund Expenditures or \$250,000	\$ 250,000
Increased by:	
Allowable Adjustments	177,133
Maximum Unassigned Fund Balance	\$ 427,133

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2015	\$ 3,731,596
Decreased by:	
Restricted	
Capital Reserve	2,221,616
Emergency Reserve	250,000
Maintenance Reserve	224,335
Excess Surplus - Designated for Subsequent Year's Expenditures	200,000
Assigned Designated for Subsequent Year's Expenditures	148,654
Assigned Year-End Encumbrances	109,858
Total Unassigned Fund Balance	\$ 577,133

**SECTION 3**

Restricted Fund Balance - Excess Surplus	\$ 150,000
------------------------------------------	------------

**Recapitulation of Excess Surplus as of June 30, 2015**

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 200,000
Restricted Excess Surplus	150,000
	\$ 350,000

**Detail of Allowable Adjustments**

Extraordinary Aid 2014-2015 (Amount in excess of Budget)	\$ 177,133
	\$ 177,133

**NORTH CALDWELL BOARD OF EDUCATION  
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

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 Year Recommendations

Corrective action was taken on the prior year recommendation.

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  
Certified Public Accountant  
Public School Accountant