

**SADDLE BROOK BOARD OF EDUCATION  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2016**

**SADDLE BROOK BOARD OF EDUCATION  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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## AUDITORS' MANAGEMENT REPORT

Honorable President and Members  
of the Board of Trustees  
Saddle Brook Board of Education  
Saddle Brook, 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 Brook Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated December 1, 2016.

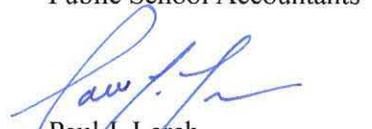
As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

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  
Certified Public Accountant  
Public School Accountant  
PSA Number CS01118

Fair Lawn, New Jersey  
December 1, 2016

**SADDLE BROOK BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 contained in the district's 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>
Raymond Karaty, CPA, PSA	Board Secretary/School Business Administrator	\$ 250,000
Peter Bellani, CPA	Treasurer of School Monies	\$ 250,000

There is an Employees' Dishonesty Faithful Performance coverage with Selective Insurance Company of America, covering all other employees with multiple coverage of \$400,000.

**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 adjustment in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certifications or supporting documentation.

**SADDLE BROOK BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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 and the Board Secretary/Business Administrator and approved by the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the General Fund.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

Employee Position Control Roster

The District maintained an employee position control roster.

Travel

The District has adopted a policy regulating district travel.

Payments made to employees for a travel event were in accordance with the approved travel policy.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6:20-2A.2(m) 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, there were no errors.

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 reserve 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.

Board Secretary's Records

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

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

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

The prescribed contractual order system was followed.

**SADDLE BROOK BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

The Treasurer did perform cash reconciliation's for the general operating account and payroll accounts (N.J.S.A. 18A:17-36).

All cash receipts were promptly deposited.

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 Expendable Trust Fund.

Elementary and Secondary Education Act of 1965 (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./IASA financial exhibits are contained within the Special Revenue Fund of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title IIA and Title III of the Elementary and Secondary Education Act.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit 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 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 reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60 day grant liquidations period, but prior to the 90 days required by N.J.S.A. 18A:66-90. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report for all federal awards.

**SADDLE BROOK BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**Nonpublic State Aid**

Project completion reports were finalized and transmitted to Department 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 are \$40,000 (with a qualified purchasing agent) and \$29,000 (without a qualified purchasing agent), respectively. The District has appointed Raymond Karaty as a qualifying purchasing agent. The law regulating bidding for public school student transportation contracts under NJSA 18A:39-3 is currently \$18,800.

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 Solicitor'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.

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.

**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 SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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 SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

The District utilizes a food service management company (FSMC) and 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 have a profit. The operating results provision has been met.

**SADDLE BROOK BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Enterprise Funds**

**Food Service Fund (Continued)**

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 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.

Food Distribution Program commodities were received and a single inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

**Community Programs Fund**

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

**Student Activity Fund and Athletic Account**

The District had a policy and procedures in place for regulating the student activity funds.

Cash receipts and cash disbursements were maintained in good condition.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private school for the handicapped, low-income, related services 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 with isolated exception. The information that was included on the workpapers was verified with an isolated exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2015-16 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with isolated 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.

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations and corrective action was taken on all prior year recommendations.

**SADDLE BROOK BOARD OF EDUCATION  
FOOD SERVICE FUND  
SCHEDULE OF MEAL COUNT ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**FOOD SERVICE FUND  
SCHEDULE OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**SADDLE BROOK BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015**

	2016-2017 Application for State School Aid						Sample for Verification				Private Schools for Disabled					
	Reported on Original A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors Full	Errors Shared	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				
Half Day Pre K (3yrs)	10.0	-	10.0	-	-	-	10.0	-	18.0	-	(8.0)	-				
Full Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Pre K (4yrs)	15.0	-	15.0	-	-	-	15.0	-	7.0	-	8.0	-				
Full Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-				
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-				
Full Day Kindergarten	96.0	-	96.0	-	-	-	34.0	-	34	-	-	-				
Grade 1	108.0	-	108.0	-	-	-	32.0	-	31	-	1.0	-				
Grade 2	92.0	-	92.0	-	-	-	33.0	-	32	-	1.0	-				
Grade 3	118.0	-	118.0	-	-	-	39.0	-	39	-	-	-				
Grade 4	109.0	-	109.0	-	-	-	36.0	-	36	-	-	-				
Grade 5	104.0	-	104.0	-	-	-	39.0	-	39	-	-	-				
Grade 6	95.0	-	95.0	-	-	-	32.0	-	34	-	(2.0)	-				
Grade 7	122.0	-	122.0	-	-	-	122.0	-	122	-	-	-				
Grade 8	127.0	-	127.0	-	-	-	127.0	-	127	-	-	-				
Grade 9	101.0	4.0	101.0	4.0	-	-	101.0	4.0	101	2.0	-	2.0				
Grade 10	76.0	3.0	76.0	3.0	-	-	76.0	3.0	76	3.0	-	-				
Grade 11	115.0	5.0	115.0	5.0	-	-	115.0	5.0	115	5.0	-	-				
Grade 12	94.0	1.0	94.0	1.0	-	-	94.0	1.0	94	1.0	-	-				
Subtotal	1,382.0	13.0	1,382.0	13.0	-	-	905.0	13.0	905.0	11.0	-	2.0				
Sp Ed- Elementary	142.0	-	142.0	-	-	-	21.0	-	21.0	-	-	-	6.0	4.0	4.0	-
Sp Ed - Middle School	83.0	-	83.0	-	-	-	15.0	-	15.0	-	-	-	8.0	7.0	7.0	-
Sp Ed - High School	96.0	3.0	96.0	3.0	-	-	16.0	-	16.0	-	-	-	12.0	12.0	12.0	-
Subtotal	321.0	3.0	321.0	3.0	-	-	52.0	-	52.0	-	-	-	26.0	23.0	23.0	-
Totals	1,703.0	16.0	1,703.0	16.0	-	-	957.0	13.0	957.0	11.0	-	2.0	26.0	23.0	23.0	-
Percentage Error					0.00%	0.00%					0.00%	15.38%				0.00%

**SADDLE BROOK BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015**

	Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	9.0	9.0	-	5.0	5.0	-	2.0	2.0	-	2.0	2.0	-
Grade 1	12.0	12.0	-	6.0	6.0	-	1.0	1.0	-	1.0	1.0	-
Grade 2	16.0	16.0	-	8.0	8.0	-	1.0	1.0	-	1.0	1.0	-
Grade 3	14.0	14.0	-	7.0	7.0	-	1.0	1.0	-	1.0	1.0	-
Grade 4	19.0	19.0	-	8.0	8.0	-	3.0	3.0	-	2.0	2.0	-
Grade 5	10.0	10.0	-	7.0	7.0	-	-	-	-	-	-	-
Grade 6	17.0	17.0	-	10.0	10.0	-	2.0	2.0	-	2.0	2.0	-
Grade 7	23.0	23.0	-	12.0	12.0	-	-	-	-	-	-	-
Grade 8	15.0	15.0	-	9.0	9.0	-	-	-	-	-	-	-
Grade 9	14.0	14.0	-	8.0	8.0	-	1.0	1.0	-	1.0	1.0	-
Grade 10	7.0	7.5	(0.5)	4.0	4.0	-	-	-	-	-	-	-
Grade 11	17.5	17.5	-	9.0	9.0	-	1.0	1.0	-	1.0	1.0	-
Grade 12	9.0	9.0	-	4.0	4.0	-	1.0	1.0	-	1.0	1.0	-
Subtotal	182.5	183.0	(0.5)	97.0	97.0	-	13.0	13.0	-	12.0	12.0	-
Sp Ed - Elementary	31.0	31.0	-	18.0	18.0	-	2.0	2.0	-	1.0	1.0	-
Sp Ed - Middle School	19.0	19.0	-	8.0	8.0	-	-	-	-	-	-	-
Sp Ed - High School	19.0	19.0	-	9.0	9.0	-	-	-	-	-	-	-
Subtotal	69.0	69.0	-	35.0	35.0	-	2.0	2.0	-	1.0	1.0	-
Totals	251.5	252.0	(0.5)	132.0	132.0	-	15.0	15.0	-	13.0	13.0	-
Percentage Error			<u>-0.20%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	103.0	103.0	-	54.0	54.0	-
Transported - Non - Public	71.0	71.0	-	37.0	36.0	(1.0)
Special Ed. - Public	53.0	53.0	-	27.0	21.0	(6.0)
Special Needs - Public	40.0	40.0	-	21.0	21.0	-
Subtotal	267.0	267.0	-	139.0	132.0	(7.0)
Percentage Error			<u>0.00%</u>			<u>-5.04%</u>

**SADDLE BROOK BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-
Full Day Pre K (4yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	1	1	-	1	1	-
Grade 1	4	4	-	4	4	-
Grade 2	4	4	-	4	4	-
Grade 3	3	3	-	3	3	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
Grade 6	1	1	-	1	1	-
Grade 7	1	1	-	1	1	-
Grade 8	-	-	-	-	-	-
Grade 9	-	-	-	-	-	-
Grade 10	2	2	-	2	2	-
Grade 11	1	1	-	1	1	-
Grade 12	2	2	-	-	-	-
Subtotal	19	19	-	17	17	-
Sp Ed - Elementary	2	2	-	1	1	-
Sp Ed - Middle School	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-
Subtotal	2	2	-	1	1	-
Totals	21	21	-	18	18	-
		<u>0.00%</u>			<u>0.00%</u>	

**SADDLE BROOK BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

2015-2016 Total General Fund Expenditures per the CAFR		\$ 33,268,784
Increased by:		
Transfer from Capital Reserve to Capital Projects Fund		44,461
Decreased by:		
Assets Acquired by Capital Lease		(140,555)
On-Behalf TPAF Pension & Social Security		<u>(3,141,174)</u>
Adjusted 2015-2016 General Fund Expenditures		<u>\$ 30,031,516</u>
2% of Adjusted 2015-2016 General Fund Expenditures		\$ 600,630
Increased by: Allowable Adjustment- Non-Public Transportation		<u>24,411</u>
Maximum Unreserved/Undesignated Fund Balance		<u>\$ 625,041</u>
Total General Fund - Fund Balance at June 30, 2016 (Per CAFR Budgetary Comparison Schedule/Statement)		\$ 2,509,925
Decreased by:		
Year End Encumbrances	\$ 207,231	
Capital Reserve	1,227,622	
Legally Restricted- Excess Surplus- Designated for for Subsequent Year's Expenditures	264,791	
Assigned Fund Balance- Unreserve-Designated for Subsequent Year's Expenditures	<u>50,000</u>	
		<u>1,749,644</u>
Total Unassigned Fund Balance		<u>\$ 760,281</u>
<b>Reserved Fund Balance - Excess Surplus</b>		<u>\$ 135,240</u>
<i>Recapitulation of Excess Surplus as of June 30, 2016</i>		
Reserved Excess Surplus- Designated for Subsequent Year's Expenditures		\$ 264,791
Reserved Excess Surplus		<u>135,240</u>
Total Excess Surplus		<u>\$ 400,031</u>

**SADDLE BROOK BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**RECOMMENDATIONS**

**I. Administration Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

There are none.

**III. School Purchasing Program**

There are none.

**IV. Food Service Fund**

There are none.

**V. Community School Fund**

There are none.

**VI. Student Activity Fund and Athletic Account**

There are none.

**VII. Application for State School Aid**

There are none.

**VIII. Pupil Transportation**

There are none.

**IX. Facilities and Capital Assets**

There are none.

**X. Miscellaneous**

There are none.

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

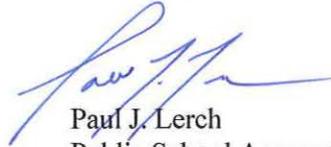
Corrective action was taken on all prior year audit findings/recommendations.

**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  
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