

**NORTH ARLINGTON SCHOOL DISTRICT**  
**AUDITOR'S MANAGEMENT REPORT**  
**ON ADMINISTRATIVE FINDINGS -**  
**FINANCIAL, COMPLIANCE AND PERFORMANCE**

**June 30, 2015**

**NORTH ARLINGTON SCHOOL DISTRICT**

**AUDITOR'S MANAGEMENT REPORT ON**  
**ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**  
**June 30, 2015**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Report of Independent Auditors	1
Scope of Audit	2
 Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
 Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account and Position Control Roster	3
Reserve for Encumbrances and Accounts Payable	3
Travel	3
Classification of Expenditures	4
Board Secretary's Records	4
Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001	4
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	5
 School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5
 School Food Service	5-6
Student Body Activities	7
Application for State School Aid	7
Pupil Transportation	7
Facilities and Capital Assets	7
Follow-Up on Prior Year Findings	7-8
Acknowledgment	8
 Schedule of Audited Enrollments	9-11
Excess Surplus Calculation	12

# DONOHUE, GIRONDA, DORIA & TOMKINS, LLC

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## REPORT OF INDEPENDENT AUDITORS

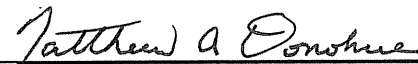
Honorable President and  
Members of the Board of Education  
North Arlington School District  
County of Bergen, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the North Arlington School District in the County of Bergen for the year ended June 30, 2015, and have issued our report thereon dated December 4, 2015.

As part of our audit, we performed procedures required by the New Jersey Department of Education, 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 of the North Arlington Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

  
MATTHEW A. DONOHUE  
Certified Public Accountant  
Public School Accountant  
License No. CS 00170

Bayonne, New Jersey  
December 4, 2015

**ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**SCOPE OF AUDIT**

The Audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Monies, 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 Exhibit J-20, Insurance Schedule contained in the District's CAFR.

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Kathleen McEwin-Marano	Board Secretary/School Business Administrator	\$ 220,000

There is an Employee Dishonesty and Unfaithful Performance Policy with the School Alliance Insurance Fund covering all other employees with coverage of \$500,000.

**Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease in 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 indicate any discrepancies with respect to signatures, certification or supporting documentation.

**ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (cont'd)**

**Payroll Account**

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

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

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

Payrolls were delivered to the secretary of the board who deposited them with warrants in separate bank accounts for net payroll and withholdings.

A review of the Position Control Roster found no inconsistencies between the payroll records, employee benefits records, the general ledger accounts where wages are posted and the Position Control Roster.

**Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

**Travel**

The District did have an approved Board travel policy as required by N.J.A.C. 6A:23-6.13 and N.J.S.A. 18A:11-12. Our review of the travel records disclosed no discrepancies.

**ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FINANCIAL PLANNING, ACCOUNTING AND REPORTING (cont'd)**

**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 Records/ Business Administrator**

Our review of the financial and accounting records maintained by the Board Secretary/ Business Administrator disclosed no discrepancies.

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

The E.S.E.A./N.C.L.B. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

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

The District's Special Projects were approved as listed on Schedule A and Schedule B 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.

The study of compliance for the special projects indicated no areas of noncompliance.

**ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**T.P.A.F. Reimbursement**

Our audit procedures included a test of the biweekly reimbursements 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**

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent). The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,300 for 2014-15.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where questions arise 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.

Based on the results of our examination, we did not note any individual payments, contracts or agreements 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 provisions of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

**SCHOOL FOOD SERVICE**

The financial transactions and statistical records of the School Food Services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions noted.

Cash receipts and bank records were reviewed for timely deposit. No exceptions noted.

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 were reviewed and audited.

**ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**SCHOOL FOOD SERVICE (cont'd)**

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services Employees authorized by the Board of Education. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/ certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy (no exceptions were noted). The number of free and reduced price meals 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 and reduced price meal and free milk policy is uniformly administered throughout the school system. Sites approved to participate in Provisions complied with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.



## **ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

### **STUDENT BODY ACTIVITIES**

Our review of the Student Activity Funds found them to be in proper form and order.

### **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 the handicapped, 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's workpapers without exception. The information that was included on the workpapers was verified without exception. 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 adequately written procedures for the recording of student enrollment data.

### **PUPIL TRANSPORTATION**

Our audit procedures included a test of on-roll status reported in the 2013-2014 District Report of Transported Resident Students (DRTRS). The information that was included in the DRTRS was verified to the DRTRS Eligibility Summary Report. 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 purchase of buses were in compliance with applicable statutes. 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. No exceptions were noted.

### **FOLLOW-UP ON PRIOR YEAR FINDINGS**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.

ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE

ACKNOWLEDGMENT

We received the complete cooperation of all the officials of the School District, and I greatly appreciate the courtesies extended to the members of the audit team.

*Donohue, Gironda, Doria + Tomkins, LLC*  
DONOHUE, GIRONDA, DORIA & TOMKINS, LLC  
Certified Public Accountants

*Matthew A. Donohue*  
MATTHEW A. DONOHUE  
Certified Public Accountant  
Public School Accountant # CS00170

Bayonne, New Jersey  
December 4, 2015

**North Arlington School District  
Application for State School Aid Summary  
Enrollment as of 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 District's Workpapers On Roll		Sample selected from Workpapers		Verified per School's Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification		Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private Schools	Private Schools	Private Schools	Private Schools	Private Schools
Half Day Preschool	14		14		0		0								
Full Day Preschool	149		149		51		51								
Half, Day Kindergarten	151		151		46		46								
First	147		147		49		49								
Second	124		124		49		49								
Third	92		92		49		49								
Fourth	123		123		50		50								
Fifth	128		128		0		0								
Sixth	103		103		0		0								
Seventh	103		103		0		0								
Eighth	95		95		95		95								
Ninth	98		98		98		98								
Tenth	102		102		102		102								
Eleventh	103		103		103		103								
Twelfth															
Post-Graduate															
Adult H.S. (15+CR.)															
Adult H.S. (1-14CR.)															
Subtotal	1,532	0	1,532	0	694	0	694	0	0	0	0	0	0	0	0
Special Ed - Elementary	76		76		9		9				3	3	3	3	
Special Ed - Middle School	42		42		0		0				0	0	0	0	
Special Ed - High School	82		82		82		82				6	6	6	6	
Subtotal	200	0	200	0	91	0	91	0	0	0	9	9	9	9	0
Co. Voc. - Regular															
Co. Voc. Ft. post Sec.															
Totals	1,732	0	1,732	0	785	0	785	0	0	0	9	9	9	9	0
Percentage Error															

**Notes to Auditor**

- (a) Sample size obtained from table in Section 1, Chapter 3 of the Audit Program. Amount tested for each category obtained from workpapers provided by district.
- (b) Sample size based on total contracts using the table in Section 1, Chapter 3 of the Audit Program.

**North Arlington School District**  
**Application for State School Aid Summary**  
**Enrollment as of October 15, 2014**

**Schedule of Audited Enrollments**

	Resident Low Income			Sample for Verification			Resident L.E.P. Low Income			Sample for Verification			
	A.S.S.A. Income	Low Income	Workpapers	Errors	Workpapers Sample	Verified to App. & Register	Sample Errors	A.S.S.A. LEP Low Income	Workpapers LEP Low Income	Errors	Workpapers Sample	Verified to App. & Register	Sample Errors
Half Day Preschool													
Full Day Preschool													
Half, Day Kindergarten													
Full Day Kindergarten													
First	28	28	16	0	16	16	0	6	6	0	5	5	0
Second	40	37	30	0	30	30	0	9	9	0	6	6	0
Third	39	38	24	0	24	24	0	2	2	0	2	2	0
Fourth	33	32	25	0	25	25	0	6	6	0	5	5	0
Fifth	16	14	10	0	10	10	0	2	2	0	1	1	0
Sixth	39	35	26	0	26	26	0	1	1	0	0	0	0
Seventh	34	34	25	0	25	25	0	3	3	0	2	2	0
Eighth	26	26	15	0	15	15	0	2	2	0	2	2	0
Ninth	18	18	15	0	15	15	0	1	1	0	1	1	0
Tenth	26	26	18	0	18	18	0	1	1	0	1	1	0
Eleventh	21	21	13	0	13	13	0	0	0	0	0	0	0
Twelfth	10	10	9	0	9	9	0	1	1	0	1	1	0
Post-Graduate													
Adult H.S. (15+CR.)													
Adult H.S. (1-14CR.)													
Subtotal	356	345	254	0	254	254	0	35	35	0	27	27	0
Special Ed - Elementary	28	6	19	0	19	19	0	0	0	0	0	0	0
Special Ed - Middle School	10	9	0	0	0	0	0	0	0	0	0	0	0
Special Ed - High School	17	16	11	0	11	11	0	0	0	0	0	0	0
Subtotal	55	31	30	0	30	30	0	0	0	0	0	0	0
Co. Voc. - Regular													
Co. Voc. Ft. post Sec.													
Totals	411	376	284	0	284	284	0	35	35	0	27	27	0
Percentage Error				0.00%			0.00%			0.00%			0.00%

**Transportation**

DOE/County DRTS	District DRTS	Errors	Tested	Verified	Errors	Reg Avg. (Mileage)	Reg Avg. (Mileage)	Spec Avg. (Mileage)	Reported	Recalculated
11	11	0	11	11	0	36	36	36	11.1	11.1
36	36	1	36	36	1	48	48	48	11.1	11.1
48	48	0	48	48	0	(f)			9	9
Totals										
Percentage Error										

Notes to Auditor:  
(c) Sample size based on resident low-income students listed on workpapers using table in Section 1, Chapter 3 of the Audit Program.  
(d) Sample size obtained from table in Section 1, Chapter 3 of the Audit Program.

Reg Avg. (Mileage) = Regular Including Grade PK  
Reg Avg. (Mileage) = Regular Excluding Grade PK  
Spec Avg. = Special Ed with Special Needs

**North Arlington School District**  
**Application for State School Aid Summary**  
**Enrollment as of October 15, 2014**

**Schedule of Audited Enrollments:**

	Resident LEP NOT Low Income		Sample for Verification	
	A.S.S.A. LEP Not Low Income	Workpapers Not Errors	Workpapers Sample	Verified to Score & Register Sample Errors
Half Day Preschool	9	9	9	9
Full Day Preschool	17	17	17	17
Half, Day Kindergarten	9	9	9	9
Full Day Kindergarten	9	9	9	9
First	9	9	3	3
Second	3	3	0	0
Third	2	2	2	2
Fourth	2	2	2	2
Fifth	1	1	1	1
Sixth	1	1	0	0
Seventh	0	0	1	1
Eighth	1	1	0	0
Ninth	1	1	1	1
Tenth	0	0	0	0
Eleventh	1	1	1	1
Twelfth				
Post-Graduate				
Adult H.S. (15+CR.)				
Adult H.S. (1-14CR.)				
Subtotal	54	54	54	54
Special Ed - Elementary	0	0	0	0
Special Ed - Middle School	0	0	0	0
Special Ed - High School	0	0	0	0
Subtotal	0	0	0	0
Co. Voc. - Regular				
Co. Voc. Ft. post Sec.				
Totals	54	54	54	54
Percentage Error			(e)	
			0.00%	0.00%

Notes to Auditor:  
(e) Sample size based on resident LEP NOT low-income students listed on workpapers using table in Section 1, Chapter 3, of the Audit Program.

## EXCESS SURPLUS CALCULATION

### REGULAR DISTRICT

#### SECTION 1

##### A. 2% Calculation of Excess Surplus

2014 - 2015 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 24,933,622	(B)
Increased by:		
Transfer to Debt Service Fund	-	(B1a)
Transfer from Capital Outlay to Capital Projects Fund	408,825	(B1b)
Transfer from Capital Reserve to Capital Projects Fund	-	(B1c)
Decreased by:		
On-Behalf TPAF Pension & Social Security	2,146,501	(B2a)
Assets Acquired Under Capital Leases	108,737	(B2b)
Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 23,087,209	(B3)
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	461,744	(B4)
Enter Greater of (B4) or \$250,000	461,744	(B5)
Increased by: Allowable Adjustment (Increase in Extraordinary Aid)	-	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$ 461,744 (M)

#### SECTION 2

Total General Fund - Fund Balances at June 30, 2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 7,128,970	(C)
Decreased by:		
Year End Encumbrances	253,214	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	0	(C2)
Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures	842,261	(C3)
Other Restricted Fund Balances - Capital Reserve	4,242,071	(C4)
Assigned Fund Balance-Unreserved-Unreserved - Designated for Subsequent Year's Expenditures	-	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		\$ 1,791,424 (U1)

#### SECTION 3

Reserved Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0-		\$ 1,329,680 (E)
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#### Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 842,261	(C3)
Reserved Excess Surplus [(E)]	1,329,680	(E)
Total [(C3)+(E)]	\$ 2,171,941	(D)