

NORTH ARLINGTON BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
June 30, 2016

NORTH ARLINGTON SCHOOL DISTRICT

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
June 30, 2016**

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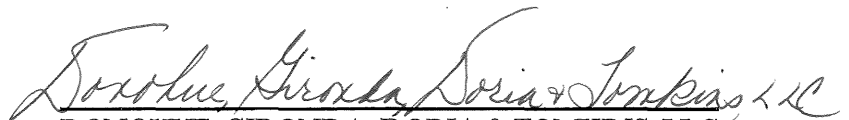
REPORT OF INDEPENDENT AUDITORS

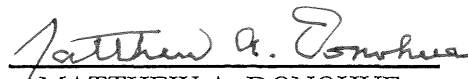
Honorable President and
Members of the Board of Education
North Arlington School District
County of Bergen, New Jersey

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, 2016, and have issued our report thereon dated December 2, 2016.

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 2, 2016

**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.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and 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 \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent). The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800 for 2015-16.

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.

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

SCHOOL FOOD SERVICE

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 School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted. We also inquired as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exception were noted.

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, 2015, 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 2014-2015 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.

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

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.

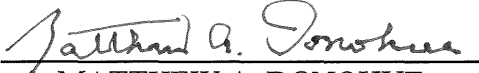
FOLLOW-UP ON PRIOR YEAR FINDINGS

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.

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
Certified Public Accountants


MATTHEW A. DONOHUE
Certified Public Accountant
Public School Accountant # CS00170

Bayonne, New Jersey
December 2, 2016

North Arlington School District
Application for State School Aid Summary
Enrollment as of October 15, 2015

Schedule of Audited Enrollments

| | 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 Registers On Roll | | Errors per Registers On Roll | | Reported on A.S.S.A. as Private Schools | Sample for Verification | Sample Verified | Sample Errors |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | | | | |
| Half Day Preschool | | | | | | | | | | | | | | | | |
| Full Day Preschool | | | | | | | | | | | | | | | | |
| Half, Day Kindergarten | | | | | | | | | | | | | | | | |
| Full Day Kindergarten | 159 | | 159 | | | | 48 | | 48 | | | | | | | |
| First | 152 | | 152 | | | | 46 | | 46 | | | | | | | |
| Second | 147 | | 147 | | | | 44 | | 44 | | | | | | | |
| Third | 135 | | 135 | | | | 41 | | 41 | | | | | | | |
| Fourth | 120 | | 120 | | | | 36 | | 36 | | | | | | | |
| Fifth | 96 | | 96 | | | | 29 | | 29 | | | | | | | |
| Sixth | 123 | | 123 | | | | 37 | | 37 | | | | | | | |
| Seventh | 130 | | 130 | | | | 51 | | 51 | | | | | | | |
| Eighth | 106 | | 106 | | | | 42 | | 42 | | | | | | | |
| Ninth | 106 | | 106 | | | | 106 | | 106 | | | | | | | |
| Tenth | 93 | 1 | 94 | | | | 93 | 1 | 94 | | | | | | | |
| Eleventh | 100 | | 100 | | | | 100 | | 100 | | | | | | | |
| Twelfth | 104 | | 104 | | | | 104 | | 104 | | | | | | | |
| Post-Graduate | | | | | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | | | | | |
| Adult H.S. (1-14CR.) | | | | | | | | | | | | | | | | |
| Subtotal | 1,571 | 1 | 1,572 | 0 | 0 | 0 | 777 | 1 | 778 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special Ed - Elementary | 78 | | 78 | | | | 12 | | 12 | | | | 1 | 1 | 1 | |
| Special Ed - Middle School | 40 | | 40 | | | | 6 | | 6 | | | | 0 | 0 | 0 | |
| Special Ed - High School | 77 | | 77 | | | | 77 | | 77 | | | | 5 | 5 | 5 | |
| Subtotal | 195 | 0 | 195 | 0 | 0 | 0 | 95 | 0 | 95 | 0 | 0 | 0 | 6 | 6 | 6 | 0 |
| Co. Voc. - Regular | | | | | | | | | | | | | | | | |
| Co. Voc. Ft. post Sec. | | | | | | | | | | | | | | | | |
| Totals | 1,766 | 1 | 1767 | 0 | 0 | 0 | 872 | 1 | 873 | 0 | 0 | 0 | 6 | 6 | 6 | 0 |
| Percentage Error | | | | | 0.00% | 0.00% | | | | 0.00% | 0.00% | | | | 0.00% | |

North Arlington School District
Application for State School Aid Summary
Enrollment as of October 15, 2015

Schedule of Audited Enrollments

| | <u>Resident Low Income</u> | | | <u>Sample for Verification</u> | | | <u>Resident L.E.P. Low Income</u> | | | <u>Sample for Verification</u> | | |
|----------------------------|----------------------------|-----------------------|--------------|--------------------------------|-----------------------------|---------------|-----------------------------------|---------------------------|--------------|--------------------------------|-----------------------------|---------------|
| | A.S.S.A. Low Income | Workpapers Low Income | 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 | 30 | 30 | | 25 | 25 | | 5 | 5 | | | | |
| First | 31 | 31 | | 20 | 20 | | 2 | 2 | | | | |
| Second | 38 | 38 | | 30 | 30 | | 7 | 7 | | | | |
| Third | 33 | 33 | | 25 | 25 | | 0 | 0 | | | | |
| Fourth | 28 | 28 | | 20 | 20 | | 2 | 2 | | | | |
| Fifth | 18 | 18 | | 15 | 15 | | 0 | 0 | | | | |
| Sixth | 31 | 31 | | 27 | 27 | | 1 | 1 | | | | |
| Seventh | 30 | 30 | | 23 | 23 | | 3 | 3 | | | | |
| Eighth | 28 | 28 | | 24 | 24 | | 3 | 3 | | | | |
| Ninth | 16 | 16 | | 14 | 14 | | 0 | 0 | | | | |
| Tenth | 18 | 18 | | 15 | 15 | | 0 | 0 | | | | |
| Eleventh | 20 | 20 | | 17 | 17 | | 0 | 0 | | | | |
| Twelfth | 17 | 17 | | 13 | 13 | | 0 | 0 | | | | |
| Post-Graduate | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | |
| Adult H.S. (1-14CR.) | | | | | | | | | | | | |
| Subtotal | 338 | 338 | 0 | 268 | 268 | 0 | 23 | 23 | 0 | 0 | 0 | 0 |
| Special Ed - Elementary | 24 | 24 | | 19 | 19 | | 0 | 0 | | 0 | 0 | |
| Special Ed - Middle School | 12 | 12 | | 0 | 0 | | 0 | 0 | | 0 | 0 | |
| Special Ed - High School | 17 | 17 | | 11 | 11 | | 0 | 0 | | 0 | 0 | |
| Subtotal | 53 | 53 | 0 | 30 | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Co. Voc. - Regular | | | | | | | | | | | | |
| Co. Voc. Ft. post Sec. | | | | | | | | | | | | |
| Totals | 391 | 391 | - | 298 | 298 | 0 | 23 | 23 | 0 | 0 | 0 | 0 |
| Percentage Error | | | <u>0.00%</u> | | | <u>0.00%</u> | | | <u>0.00%</u> | | | <u>0.00%</u> |

| <u>Transportation</u> | | | | | | | |
|---------------------------------|----------------|--------|--------|----------|--------|----------|--------------|
| DOE/County DRTRS | District DRTRS | Errors | Tested | Verified | Errors | Reported | Recalculated |
| Reg. - Public Schools, Col. 1 | 18 | | 18 | 18 | | | |
| Reg. - SpEd., Col. 4 | 14 | | 14 | 14 | | | |
| Transported - Nonpublic, Col. 3 | | | | | | | |
| SpEd., Col. 6 | 30 | | 30 | 30 | | | |
| Courtesy Student | 0 | | 0 | 0 | | | |
| Totals | 0 | 62 | 0 | 62 | 62 | 0 | |
| Percentage Error | | | | | | | |

Reg Avg. (Mileage) = Regular Including Grade PK 6.2 6.2
 Reg Avg. (Mileage) = Regular Excluding Grade PK 6.2 6.2
 0 Spec Avg. = Special Ed with Special Needs 8.3 6.2

North Arlington School District
Application for State School Aid Summary
Enrollment as of October 15, 2015

Schedule of Audited Enrollments

| | Resident LEP NOT Low Income | | | Sample for Verification | | |
|----------------------------|------------------------------------|------------------------------|---------------|--------------------------------|--------------------------------|------------------|
| | A.S.S.A. Low Income | Not Workpapers Low Income | Not Errors | Workpapers Sample | Verified to App. & Register | Sample Errors |
| Half Day Preschool | | | | | | |
| Full Day Preschool | | | | | | |
| Half, Day Kindergarten | | | | | | |
| Full Day Kindergarten | 9 | 9 | | 9 | 9 | |
| First | 5 | 5 | | 5 | 5 | |
| Second | 12 | 12 | | 12 | 12 | |
| Third | 5 | 5 | | 5 | 5 | |
| Fourth | 7 | 7 | | 7 | 7 | |
| Fifth | 3 | 3 | | 3 | 3 | |
| Sixth | 0 | 0 | | 0 | 0 | |
| Seventh | 2 | 2 | | 2 | 2 | |
| Eighth | 3 | 3 | | 3 | 3 | |
| Ninth | 5 | 5 | | 5 | 5 | |
| Tenth | 2 | 2 | | 2 | 2 | |
| Eleventh | 4 | 4 | | 4 | 4 | |
| Twelfth | 0 | 0 | | 0 | 0 | |
| Post-Graduate | | | | | | |
| Adult H.S. (15+CR.) | | | | | | |
| Adult H.S. (1-14CR.) | | | | | | |
| Subtotal | 57 | 57 | 0 | 57 | 57 | 0 |
| Special Ed - Elementary | | | | | | |
| Special Ed - Middle School | | | | | | |
| Special Ed - High School | | | | | | |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 |
| Co. Voc. - Regular | | | | | | |
| Co. Voc. Ft. post Sec. | | | | | | |
| Totals | 57 | 57 | 0 | 57 | 57 | 0 |

Percentage Error

0.00%

0.00%

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

| | | | |
|--|---------------|------------|-------|
| 2015 - 2016 Total General Fund Expenditures per the CAFR, Ex. C-1 | \$ 24,540,478 | | (B) |
| Increased by: | | | |
| Transfer to Debt Service Fund | - | | (B1a) |
| Transfer from Capital Outlay to Capital Projects Fund | 493,333 | | (B1b) |
| Transfer from Capital Reserve to Capital Projects Fund | - | | (B1c) |
| Decreased by: | | | |
| On-Behalf TPAF Pension & Social Security | 2,569,881 | | (B2a) |
| Assets Acquired Under Capital Leases | - | | (B2b) |
| Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)] | \$ 22,463,930 | | (B3) |
| 2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02] | 449,279 | | (B4) |
| Enter Greater of (B4) or \$250,000 | 449,279 | | (B5) |
| Increased by: Allowable Adjustment (Increase in Extraordinary Aid) | - | | (K) |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] | | \$ 449,279 | (M) |

SECTION 2

| | | | |
|---|---------------|--------------|------|
| Total General Fund - Fund Balances at June 30, 2016 (Per CAFR Budgetary Comparison Schedule C-1) | \$ 10,082,594 | | (C) |
| Decreased by: | | | |
| Year End Encumbrances | 365,886 | | (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | 0 | | (C2) |
| Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures | 1,329,680 | | (C3) |
| Other Restricted Fund Balances - Capital Reserve | 5,442,071 | | (C4) |
| Assigned Fund Balance-Unreserved-Unreserved - Designated for Subsequent Year's Expenditures | - | | (C5) |
| Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)] | | \$ 2,944,957 | (U1) |

SECTION 3

| | | | |
|---|--|--------------|-----|
| Reserved Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0- | | \$ 2,495,678 | (E) |
|---|--|--------------|-----|

Recapitulation of Excess Surplus as of June 30, 2016

| | | | |
|---|--------------|--|------|
| Reserved Excess Surplus - Designated for Subsequent Year's Expenditures | \$ 1,329,680 | | (C3) |
| Reserved Excess Surplus [(E)] | 2,495,678 | | (E) |
| Total [(C3)+(E)] | \$ 3,825,358 | | (D) |