

REVISED - DECEMBER 27, 2017

NORTH ARLINGTON BOARD OF EDUCATION

**AUDITOR'S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
June 30, 2017**

NORTHARLINGTON SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE
June 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
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
T.P.A.F. Reimbursement to the State for Federal Salary Expenditures	5
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5
School Food Service	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	8
Acknowledgment	8
Schedule of Meal Count Activity - Federal	9
Schedule of Meal Count Activity - State	10
Schedule of Audited Enrollments	11-13
Excess Surplus Calculation	14

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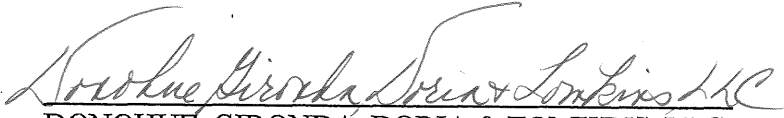
REPORT OF INDEPENDENT AUDITORS


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, 2017, and have issued our report thereon dated December 4, 2017.

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, 2017

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

SCOPE OF AUDIT

The Audit covered the financial transactions of the Board Secretary/School Business Administrator and the Assistant School Business Administrator, 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 2016-17.

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 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 exception 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 19-4.1. Provisions of the FSMC contract were reviewed and audited.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and cost 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 good 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.

The school district did provide the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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, 2016, 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 2015-2016 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.

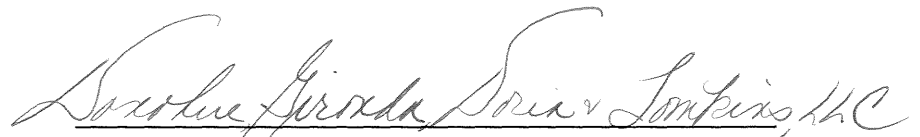
**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

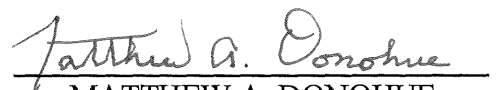
FOLLOW-UP ON PRIOR YEAR FINDINGS

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 4, 2017

SCHEDULE OF MEAL COUNT ACTIVITY

NORTH ARLINGTON SCHOOL DISTRICT

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -Federal
ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
National School Lunch (Regular Rate)	Paid	66,660	66,660	66,660	0	0.3	0.00
National School Lunch (Regular Rate)	Reduced	11,113	11,113	11,113	0	2.76	0.00
National School Lunch (Regular Rate)	Free	40,468	40,468	40,468	0	3.16	0.00
	TOTAL	<u>118,241</u>	<u>118,241</u>	<u>118,241</u>			<u>0.00</u>
National School Lunch	HHFKA - PB Lunch Only	118241	118241	118241	0	0.06	0.00
School Breakfast (Regular Rate)	Paid	563	563	563	0	0.29	0.00
	Reduced	200	200	200	0	1.41	0.00
	Free	2,934	2,934	2,934	0	1.71	0.00
	TOTAL	<u>3,697</u>	<u>3,697</u>	<u>3,697</u>			<u>0.00</u>
Total Net Overclaim							<u><u>0.00</u></u>

SCHEDULE OF MEAL COUNT ACTIVITY

NORTH ARLINGTON SCHOOL DISTRICT

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -STATE
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
State Reimbursement - National School Lunch (Regular Rate)	Paid	66,660	66,660	66,660	0	0.040	0.00
State Reimbursement - National School Lunch (Regular Rate)	Reduced	11,113	11,113	11,113	0	0.055	0.00
State Reimbursement - National School Lunch (Regular Rate)	Free	40,468	40,468	40,468	0	0.055	0.00
	TOTAL	<u>118,241</u>	<u>118,241</u>	<u>118,241</u>			

Total Net Overclaim

0.00

North Arlington School District
Application for State School Aid Summary
Enrollment as of October 14, 2016

Schedule of Audited Enrollments

	2016-2017 Application for State School Aid							Sample for Verification						Private Schools for Disabled							
	Reported on A.S.S.A.		Reported on Workpapers		Errors		Sample Selected from		Verified per		Registers On		Errors per		Registers On		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	Full	Shared	Full	Shared					
Half Day Preschool																					
Full Day Preschool																					
Half, Day Kindergarten																					
Full Day Kindergarten	130		130				45		45												
First	153		153				48		48												
Second	142		142				41		41												
Third	143		143				38		38												
Fourth	141		141				43		43												
Fifth	119		119				38		38												
Sixth	100		100				32		32												
Seventh	116		116				47		47												
Eighth	143		143				58		58												
Ninth	106		106				106		106												
Tenth	103		103				103		103												
Eleventh	92	1	93				92	1	93												
Twelfth	102		102				102		102												
Post-Graduate																					
Adult H.S. (15+CR.)																					
Adult H.S. (1-14CR.)																					
Subtotal	1,590	1	1,591	0	0	0	793	1	794	0	0	0	0	0	0	0	0	0	0	0	
Special Ed - Elementary	78		78				15		15						4	4	4				
Special Ed - Middle School	45		45				8		8						0	0	0				
Special Ed - High School	69		69				69		69						3	3	3				
	192	0	192	0	0	0	92	0	92	0	0	0	0	0	7	7	7	0		0	
Co. Voc. - Regular																					
Co. Voc. Ft. post Sec.																					
Totals	1,782	1	1783	0	0	0	885	1	886	0	0	0	0	0	7	7	7	0		0	
Percentage Error							<u>0.00%</u>	<u>0.00%</u>							<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>

North Arlington School District
Application for State School Aid Summary
Enrollment as of October 14, 2016

Schedule of Audited Enrollments

	Resident Low Income			Sample for Verification			Resident L.E.P. Low Income			Sample for Verification		
	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	34	34		25	25		9	9				
First	34	34		23	23		6	6				
Second	32	32		25	25		4	4				
Third	41	41		26	26		5	5				
Fourth	37	37		28	28		1	1				
Fifth	25	25		22	22		1	1				
Sixth	19	19		15	15		0	0				
Seventh	23	23		23	23		1	1				
Eighth	29	29		25	25		3	3				
Ninth	24	24		20	20		2	2				
Tenth	15	15		14	14		1	1				
Eleventh	15	15		15	15		1	1				
Twelfth	17	17		14	14		1	1				
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14CR.)												
Subtotal	345	345	0	275	275	0	35	35	0	0	0	0
Special Ed - Elementary	20	20		17	17							
Special Ed - Middle School	8	8		2	2							
Special Ed - High School	10	10		7	7							
Subtotal	38	38	0	26	26	0	0	0	0	0	0	0
Co. Voc. - Regular												
Co. Voc. Ft. post Sec.												
Totals	383	383	0	301	301	0	35	35	0	0	0	0
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation						Reported	Recalculated
	DOE/County DRTRS	District DRTRS	Errors	Tested	Verified	Errors		
Reg. - Public Schools, Col. 1		24		24	24			
Reg. - SpEd., Col. 4		8		8	8			
Transported - Nonpublic, Col. 3								
SpEd., Col. 6		38		38	38			
Courtesy Student		0		0	0			
Totals	0	70	0	70	70	0		
Percentage Error								

Reg Avg.(Mileage) = Regular Including Grade PK 10 10
Reg Avg.(Mileage) = Regular Excluding Grade PK 10 10
0 Spec Avg. = Special Ed with Special Needs 6.5 6.5

North Arlington School District
Application for State School Aid Summary
Enrollment as of October 14, 2016

Schedule of Audited Enrollments

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	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	13	13		13	13	
First	4	4		4	4	
Second	3	3		3	3	
Third	4	4		4	4	
Fourth	0	0		0	0	
Fifth	5	5		5	5	
Sixth	4	4		4	4	
Seventh	1	1		1	1	
Eighth	5	5		5	5	
Ninth	3	3		3	3	
Tenth	2	2		2	2	
Eleventh	0	0		0	0	
Twelfth	2	2		2	2	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14CR.)						
Subtotal	46	46		46	46	0
Special Ed - Elementary	1	1		1	1	
Special Ed - Middle School	1	1		1	1	
Special Ed - High School						
Subtotal	2	2	0	2	2	0
Co. Voc. - Regular						
Co. Voc. Ft. post Sec.						
Totals	48	48	0	48	48	0
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2016 - 17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 26,271,651	(B)	
Increased by:			
Transfer to Debt Service Fund	-	(B1a)	
Transfer from Capital Outlay to Capital Projects Fund	-	(B1b)	
Transfer from Capital Reserve to Capital Projects Fund	-	(B1c)	
Decreased by:			
On-Behalf TPAF Pension & Social Security	2,892,333	(B2a)	
Assets Acquired Under Capital Leases	-	(B2b)	
Adjusted 2016 -17 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 23,379,318	(B3)	
2% of Adjusted 2016 -17 General Fund Expenditures [(B3) times .02]	467,586	(B4)	
Enter Greater of (B4) or \$250,000	467,586	(B5)	
Increased by: Allowable Adjustment (Increase in Extraordinary Aid)	-	(K)	
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]			\$ 467,586 (M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2017 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 12,953,937	(C)	
Decreased by:			
Year End Encumbrances	338,675	(C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	0	(C2)	
Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures	2,495,678	(C3)	
Other Restricted Fund Balances - Capital Reserve	6,642,071	(C4)	
Assigned Fund Balance-Unreserved-Unreserved - Designated for Subsequent Year's Expenditures	-	(C5)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]			\$ 3,477,513 (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0-			\$ 3,009,927 (E)
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Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 2,495,678	(C3)
Reserved Excess Surplus [(E)]	3,009,927	(E)
Total [(C3)+(E)]	\$ 5,505,605	(D)