

REVISED - MAY21, 2019

**NORTH ARLINGTON SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
June 30, 2018**

NORTH ARLINGTON SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON
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June 30, 2018

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	3
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	
As Amended by the Every Student Succeeds	
Act (E.S.S.A.)	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	6
Application for State School Aid (ASSA)	6
Pupil Transportation	6
Facilities and Capital Assets	7
Miscellaneous	7
Follow-Up on Prior Year Findings	7
Acknowledgment	7
Schedule of Audited Enrollments	8-10
Excess Surplus Calculation	11
Audit Recommendations Summary	12

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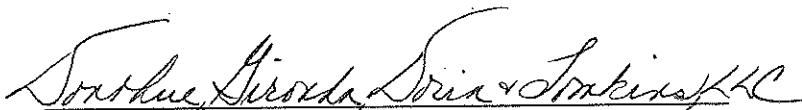
REPORT OF INDEPENDENT AUDITORS

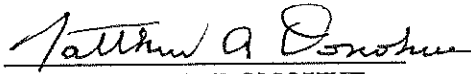
Honorable President and
Members of the Board of Education
North Arlington School District
County of Bergen, New Jersey

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, 2018, and have issued our report thereon dated December 21, 2018.

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
February 22, 2019

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.

Finding – 2018 -1:

The minimum required surety bond coverage should be \$231,000. The existing surety bond coverage is \$220,000.

Recommendation:

The surety bond coverage should be increased to \$250,000 to allow for future budget increases.

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.

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

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.

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.)/As Amended by the Every Student Succeeds Act (ESSA)

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 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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (cont'd)

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 \$19,000 for 2017-18.

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, as to whether the School Food Authority (SFA) had any Child Nutrition reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, 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 Statement of Revenues, Expenses, and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and not-program cost of goods sold.

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 16, 2017, 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 2016-2017 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.

MISCELLANEOUS

Testing Lead of All Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.


The school district did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

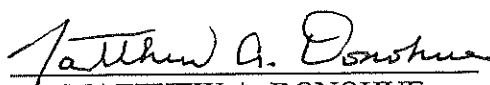
FOLLOW-UP ON PRIOR YEAR FINDINGS

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

North Arlington School District
 Application for State School Aid Summary
 Enrollment as of October 13, 2017

Schedule of Audited Enrollments

	2017-2018 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	
Half Day Preschool											
Full Day Preschool											
Half Day Kindergarten											
Full Day Kindergarten											
First	111		111		38		38				
Second	120		120		42		42				
Third	144		144		54		54				
Fourth	137		137		38		38				
Fifth	130		130		41		41				
Sixth	137		137		38		38				
Seventh	123		123		43		43				
Eighth	104		104		34		34				
Ninth	117		117		37		37				
Tenth	132		132		106		106				
Eleventh	100		100		100		100				
Twelfth	111		111		111		111				
Post-Graduate	1		90		89		90				
Adult H.S. (15+CR.)											
Adult H.S. (1-14CR.)											
Subtotal	1,555	1	1,556	0	771	1	772	0	0	0	0
Special Ed - Elementary	89		89		21		21				
Special Ed - Middle School	52		52		10		10				
Special Ed - High School	62		62		62		62				
	203	0	203	0	93	0	93	0	0	0	0
Co. Voc. - Regular											
Co. Voc. Ft. post Sec.											
Totals	1,758	1	1,759	0	864	1	865	0	0	0	0
Percentage Error											
					0.00%		0.00%		0.00%		0.00%

**North Arlington School District
Application for State School Aid Summary
Enrollment as of October 13, 2017**

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	Sample	Verified to App. & Register	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	22	22	18	0	18	18	5	5	0	4	4	4
Second	25	25	21	0	21	21	5	5	0	4	4	3
Third	29	29	25	0	25	25	4	4	0	3	3	2
Fourth	22	22	19	0	19	19	2	2	0	2	2	1
Fifth	35	35	28	0	28	28	1	1	0	1	1	1
Sixth	34	34	26	0	26	26	1	1	0	1	1	1
Seventh	25	25	16	0	16	16	1	1	0	1	1	1
Eighth	19	19	14	0	14	14	1	1	0	1	1	1
Ninth	20	20	15	0	15	15	1	1	0	1	1	1
Tenth	28	28	24	0	24	24	1	1	0	1	1	2
Eleventh	18	18	13	0	13	13	2	2	0	2	2	3
Twelfth	19	19	14	0	14	14	3	3	0	3	3	0
Post-Graduate												
Adult H.S. (15+CR)												
Subtotal	311	311	248	0	248	248	27	27	0	24	24	0
Special Ed - Middle School	23	23					1	1				
Special Ed - High School	12	12										
Subtotal	10	10	0	0	0	0	1	1	0	0	0	0
Co. Voc. - Regular												
Co. Voc. Ft. post-Sec.												
Totals	356	356	248	0	248	248	28	28	0	24	24	0
Percentage Error				0.00%					0.00%			0.00%

Transportation

DOE/County DRTS	District DRTS	Errors	Tested	Verified	Errors	Reg Avg. (Mileage)	Reg Avg. (Mileage)	Reported	Recalculated
28	28	0	28	28	0	Reg Avg. (Mileage) = Regular Including Grade PK	Reg Avg. (Mileage) = Regular Excluding Grade PK	12	12
3	3	0	3	3	0	0	0	12	12
0	0	0	0	0	0	0	0	12	12
52	52	0	52	52	0	0	0	8.1	8.1
0	0	0	0	0	0	0	0		
83	83	0	83	83	0	0	0	12	12
Totals	83	0	83	83	0	0	0	12	12
Percentage Error								8.1	8.1

North Arlington School District
 Application for State School Aid Summary
 Enrollment as of October 13, 2017

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	9	9	0	9	9	0
Full Day Preschool	11	11	0	11	11	0
Full Day Kindergarten	7	7	0	7	7	0
First	8	8	0	8	8	0
Second	2	2	0	2	2	0
Third	2	2	0	2	2	0
Fourth	2	2	0	2	2	0
Fifth	5	5	0	5	5	0
Sixth	5	5	0	5	5	0
Seventh	1	1	0	1	1	0
Eighth	4	4	0	4	4	0
Ninth	3	3	0	3	3	0
Tenth	1	1	0	1	1	0
Eleventh	0	0	0	0	0	0
Twelfth						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14CR.)						
Subtotal	58	58	0	58	58	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	58	58	0	58	58	0

Percentage Error

0.00%

0.00%

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017 - 18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 28,491,458	(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	3,293,469	(B2a)
Assets Acquired Under Capital Leases	54,763	(B2b)
Adjusted 2017 -18 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 25,143,226	(B3)
2% of Adjusted 2017 -18 General Fund Expenditures [(B3) times .02]	502,865	(B4)
Enter Greater of (B4) or \$250,000	502,865	(B5)
Increased by: Allowable Adjustment (Increase in Extraordinary Aid)	-	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ 502,865	(M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2018		
(Per CAFR Budgetary Comparison Schedule C-1)	\$ 15,156,150	(C)
Decreased by:		
Year End Encumbrances	640,289	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	0	(C2)
Legally Restricted - Excess Surplus- Designated for Subsequent Year's Expenditures	3,009,927	(C3)
Other Restricted Fund Balances - Capital Reserve	7,502,071	(C4)
Assigned Fund Balance-Unreserved-Unreserved - Designated for Subsequent Year's Expenditures	-	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 4,003,863	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ 3,500,998	(E)
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Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 3,009,927	(C3)
Reserved Excess Surplus [(E)]	3,500,998	(E)
Total [(C3)+(E)]	\$ 6,510,925	(D)

BOROUGH OF NORTH ARLINGTON SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedure

The surety bond coverage should be increased to \$250,000 to allow for future budget increases.

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Statuses of Prior Year's Findings/Recommendations

Corrective action has been taken on all prior year findings.