

**TOWNSHIP OF RIDGEWOOD  
SCHOOL DISTRICT**

**AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**For the Fiscal Year Ended June 30, 2010**

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE**

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MCKINLEY, WHITE & CO., L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable President and Members  
of the Board of Education  
Township of Ridgewood School District  
County of Bergen  
Ridgewood, 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; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; the basic financial statements of the Board of Education of the Township of Ridgewood School District, in the County of Bergen, State of New Jersey, for the year ended June 30, 2010, and have issued our report thereon dated November 29, 2010.

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 solely for the information and use of the management of the Board of Education of the Township of Ridgewood and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

*McKinley, White & Co., LLP*

MCKINLEY, WHITE & CO., L.L.P.  
Certified Public Accountants

By: *Susan T. White*  
Susan T. White  
Public School Accountant  
License #20CS00119300

Paramus, New Jersey

November 29, 2010

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

**Scope of Audit**

The audit covered the financial transactions of the Assistant Superintendent for Business/Board Secretary and the Treasurer of School Moneys, 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.

**Officials' Bonds (N.J.S.A. 18A:17-26, 18A:17-32)**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dorothy Stikna	Treasurer of School Moneys (7/1/09 to 3/8/10)	\$ 500,000
Steven Sanzari	Treasurer of School Moneys (3/9/10 to 6/30/10)	500,000
Angelo DeSimone	Assistant Superintendent for Business/ Board Secretary	500,000

The Board has coverage in the amount of \$100,000, for employee dishonesty with faithful performance with Selective Insurance Company of America.

**Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The District 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:23A-17.1(f).

**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 District 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 were approved by the Superintendent and were certified by the President of the Board and the Assistant Superintendent for Business/Board Secretary.

Salary withholdings were promptly remitted to the proper agencies.

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

### **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.

### **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f)1 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 errors were noted, and no additional procedures were deemed necessary to test the propriety of general and administrative expenditure classifications.

### **Board Secretary's Records**

Our review of the financial and accounting records maintained by the board secretary disclosed the following item:

#### **Finding 2010-1**

Certain financial reporting components of the District's new financial accounting software are not entirely functional or accurate. While the Board Secretary's and Treasurer's financial reports were prepared on a monthly basis, and the reports were in agreement, these reports were not reconciled and adjusted on a timely basis to agree to the monthly bank reconciliations or subsidiary ledgers and supporting documentation.

#### **Recommendation**

That the monthly Board Secretary's and Treasurer's financial reports be reconciled and agreed to the monthly bank reconciliations, subsidiary ledgers and supporting documentation on a timely basis.

### **Treasurer's Records**

During our review of the Treasurer's records an exception was noted. See Finding 2010-1.

### **Elementary and Secondary Education (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./NCLB 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 Title I, II, III, and IV of the Elementary and Secondary Education Act, as amended and reauthorized.

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

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

### **Other Special Federal, State, and/or Local Projects**

The District's Special Projects were approved as listed on Exhibit K-3 (Schedule A) and K-4 (Schedule B) located in the CAFR.

Our audit of the Federal, State and Local 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 special projects indicated there were no areas of noncompliance and/or questioned costs.

### **T.P.A.F. Reimbursements**

Our audit procedures included a test of the semimonthly 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**

Effective July 1, 2005, and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 and 18A:39-3 are \$21,000 and \$16,200, respectively. The Board appointed the Assistant Superintendent for Business as purchasing agent, thus raising the bid threshold to \$29,000.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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 services, the results of such an accumulation could not be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

The results of our examination indicated that there were no 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 provision of N.J.S.A. 18A:18A-4, as amended.

In accordance with N.J.S.A. 18A:18A-37, for all contracts that in the aggregate are less than the bid threshold but 15 percent or more of that amount, the purchasing agent shall award the contract after soliciting at least two competitive quotations, if practicable. The award shall be made to a vendor whose response is most advantageous, price and other factors considered. The purchasing agent shall retain the record of the quotation solicitation and shall include a copy of the record with the voucher used to pay the vendor. No exceptions were noted.

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

## **School Food Service**

The Board of Education had a contract with an outside catering firm to provide the service in the cafeteria for the 2009-2010 school year. The financial records of the outside caterer were subjected to various audit tests, and a service audit report on the food service management company's internal control structure, policies and procedures were reviewed. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the CAFR entitled Enterprise Funds Exhibit B.

## **Athletics**

During our review of athletics no exceptions were noted.

## **Student Body Activities**

During our review of student body activities exceptions were noted as follows:

### **Finding 2010 - 2**

Two schools were missing documentation for several expenditures selected for testing, and one school's supporting documentation was not available for audit. Additionally, two schools did not always obtain the two required signatures on their checks.

### **Recommendation**

That all schools obtain and have available for audit supporting documentation for expenditures from student activity accounts and that all checks contain the two required signatures.

### **Finding 2010-3**

The high school did not prepare bank reconciliations on two out of three accounts on a timely basis, nor did they investigate discrepancies to the books and records in a timely manner.

### **Recommendation**

That the high school prepare all bank reconciliations for the student activity account on a monthly basis and investigate all discrepancies to the books and records in a timely manner.

## **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2009 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income and bilingual. We also performed a review of the districts procedures related to its completion. The information on the A.S.S.A. was compared to the district's workpapers without exceptions. The information that was included on the workpapers was verified without exceptions. 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 adequate written procedures for the recording of student enrollment data.

### **Pupil Transportation**

Our audit procedures included a test of on-roll status reported in the 2009-2010 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with 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. 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 agreements for consistency with recording SDA revenue and awarding of contracts for eligible facilities construction. No exceptions were noted.

### **Follow-up on Prior Years' Findings**

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

### **Acknowledgment**

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





SCHEDULE OF AUDITED ENROLLMENTS

TOWNSHIP OF RIDGEWOOD SCHOOL DISTRICT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2009

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Kindergarten	4	4		4	4		1	1		1	1	
One	5	5		5	5		1	1		1	1	
Two	3	3		3	3		1	1		1	1	
Three	5	5		3	3		2	2		1	1	
Four	6	6		3	3							
Five	1	1		1	1							
Six												
Seven	7	7		2	2							
Eight	6	6		3	3							
Nine	5	5		4	4							
Ten	9	9		6	6							
Eleven	3	3		2	2		1	1		1	1	
Twelve	6	6		6	6							
Subtotal	60	60		42	42		6	6		5	5	
Special Ed - Elementary	15	15		12	12		3	3		2	2	
Special Ed - Middle School	8	8		6	6							
Special Ed - High School	8	8		7	7							
Subtotal	31	31		25	25		3	3		2	2	
Totals	91	91		67	67		9	9		7	7	
Percentage Error												

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SCHEDULE OF AUDITED ENROLLMENTS

TOWNSHIP OF RIDGEWOOD SCHOOL DISTRICT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2009

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A. as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Kindergarten	18	18		9	9	
One	5	5		5	5	
Two	8	8		8	8	
Three	3	3		3	3	
Four	10	10		6	6	
Five	9	9		7	7	
Six	8	8		5	5	
Seven	9	9		8	8	
Eight	8	8		6	6	
Nine	5	5		3	3	
Ten	2	2		2	2	
Eleven	2	2		2	2	
Twelve						
Subtotal	87	87		64	64	
Special Ed - Elementary	3	3		3	3	
Special Ed - Middle School						
Special Ed - High School						
Subtotal	3	3		3	3	
Totals	90	90		67	67	
Percentage Error						

TOWNSHIP OF RIDGEWOOD SCHOOL DISTRICT  
Schedule of Excess Surplus Calculation  
June 30, 2010

**SECTION 1**

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

2009-2010 Total General Fund expenditures per the CAFR, Ex. C-1	\$	89,075,590	(B)
Increased by:			
Transfers to Food 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		5,927,559	(B2a)
Assets acquired under capital lease		<u>787,000</u>	(B2b)
Adjusted 2009-2010 General Fund expenditures [(B)+(B1s)-(B2s)]	\$	<u>82,361,031</u>	(B3)
2% of adjusted 2009-10 General Fund expenditures [(B3 x 2%)]	\$	1,647,221	(B4)
Enter greater of (B4) or \$250,000		1,647,221	(B5)
Increased by : Allowable adjustment *		<u>372,745</u>	(K)
Maximum unreserved/undesignated fund balance [(B5 + K)]	\$	<u>2,019,966</u>	(M)

**SECTION 2**

Total General Fund - fund balances @ 6-30-10 (Per CAFR Budgetary Comparison Schedule C-1)	\$	6,681,833	(C)
Decreased by:			
Reserved for encumbrances		1,203,243	(C1)
Legally restricted - designated for subsequent year's expenditures			(C2)
Excess surplus - designated for subsequent year's expenditures		1,361,181	(C3)
Other reserved fund balances		740,830	(C4)
Unreserved - designated for subsequent year's expenditures		<u>                    </u>	(C5)
Total unreserved/undesignated fund balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$	<u>3,376,579</u>	(U1)

