

CITY OF LINWOOD
SCHOOL DISTRICT
AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015

**CITY OF LINWOOD SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Federal I.D. # 21-6000227



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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
City of Linwood School District
County of Atlantic, 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, the basic financial statements of the Board of Education of the City of Linwood School District in the County of Atlantic for the year ended June 30, 2015, and have issued our report thereon dated November 30, 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 City of Linwood School District Board of Education's management and the New Jersey Department of Education and is not intended and should not be used by anyone other than these parties.

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia

Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

November 30, 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 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.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Kelly A. Batz	Treasurer	\$ 200,000.00
Teri J. Weeks	Board Secretary/ Business Administrator	100,000.00

There is a Public Employees Blanket Dishonesty Bond during the period under review with the School Alliance Insurance Fund for \$400,000.

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 proper tuition adjustments to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review found no discrepancies with respect to certification and supporting documentation.

Payroll Account and Position Control Roster

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

All payrolls were approved by the Superintendent and were certified by the Board Secretary/School Business Administrator. Salary withholdings were promptly remitted to the proper agencies.

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.

Financial Planning, Accounting and Reporting (Continued)

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-16.2(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, a transaction error rate of 0.00% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Business Administrator / Board Secretary's Records

The Board Secretary's Records were in satisfactory condition.

Acknowledgement of the Board's receipt of the Board Secretary's and the Treasurer's monthly financial reports were included in the minutes. Bids received were summarized in the minutes.

Budget appropriations were not greater than realized revenues and Board authorized use of surplus.

No budgetary line accounts were over-expended during the fiscal year and at June 30.

Treasurer's Records

The Board Treasurer's Records were in satisfactory condition.

All required reconciliation's were performed and all cash receipts were promptly deposited.

The Treasurers Records were in agreement with the Board Secretary's records.

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

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 Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on the Schedule A and Schedule B in the CAFR.

Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the 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 Other Special Federal and State Projects revealed no areas of noncompliance and/or questionable costs.

TPAF Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms 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(s) 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 60 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

Effective July 1, 2010 and thereafter the bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is currently \$18,300.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the 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.

Based on the results of my examination, I 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 provision of *N.J.S.A.* 18A:18A-4, amended.

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

Before and After School Program

The financial transactions and statistical records of the Before and After School Program were maintained in satisfactory condition. The financial accounts and applications were reviewed and found to be adequate.

Student Body Activities and Other Programs

During our review of the student activity fund, no exceptions were noted.

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 workpapers without exception. The information that was included on the workpapers was verified. 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 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. The results of our procedures are presented in the Schedule of Audited Enrollments.

Follow-Up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. There were no findings in the prior year.

We have also reviewed any findings contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC). Not applicable, as there were no prior year findings.

Acknowledgment

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

SCHEDULE OF AUDITED ENROLLMENTS

LINWOOD BOARD OF EDUCATION

**APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	2014-2015 Application for State School Aid						Sample for Verification						Private Schools for Disabled						
	Reported on A.S.S.A. On Roll		Workpapers		Errors		Sample Selected from Workpapers		Registers Verified per 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	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool	17	-	17	-	-	-	17	-	17	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	68	-	68	-	-	-	68	-	68	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	77	-	77	-	-	-	77	-	77	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	82	-	82	-	-	-	82	-	82	-	-	-	-	-	-	-	-	-	-
One	74	-	74	-	-	-	74	-	74	-	-	-	-	-	-	-	-	-	-
Two	72	-	72	-	-	-	72	-	72	-	-	-	-	-	-	-	-	-	-
Three	85	-	85	-	-	-	85	-	85	-	-	-	-	-	-	-	-	-	-
Four	92	-	92	-	-	-	92	-	92	-	-	-	-	-	-	-	-	-	-
Five	90	-	90	-	-	-	90	-	90	-	-	-	-	-	-	-	-	-	-
Six	102	-	102	-	-	-	102	-	102	-	-	-	-	-	-	-	-	-	-
Seven																			
Eight																			
Nine																			
Ten																			
Eleven																			
Twelve																			
Post-Graduate																			
Adult H.S. (15+CR.)																			
Adult H.S. (1-14+CR.)																			
Subtotal	759	-	759	-	-	-	759	-	759	-	-	-	-	-	-	-	-	-	-
Special Ed - Elementary	70	-	70	-	-	-	19	-	19	-	-	-	-	-	-	-	-	-	-
Special Ed - Middle School	31	-	31	-	-	-	8	-	8	-	-	-	-	-	-	-	-	-	-
Special Ed - High School																			
Subtotal	101	-	101	-	-	-	27	-	27	-	-	-	-	-	-	-	-	-	-
Co. Voc. - Regular																			
Co. Voc. - FT Post Sec.																			
Totals	860	-	860	-	-	-	786	-	786	-	-	-	-	-	-	-	-	-	-
Percentage Error					0.00%										0.00%				

Linwood Board of Education

**APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

SCHEDULE OF AUDITED ENROLLMENTS

	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 LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool	8	8	-	6	6	-	-	-	-	-	-	-
Full Day Preschool												
Half Day Kindergarten	8	8	-	6	6	-	-	-	-	-	-	-
Full Day Kindergarten												
One	6	6	-	5	5	-	-	-	-	-	-	-
Two	5	5	-	4	4	-	-	-	-	-	-	-
Three	4	4	-	3	3	-	-	-	-	-	-	-
Four	9	9	-	7	7	-	-	-	-	-	-	-
Five	4	4	-	3	3	-	-	-	-	-	-	-
Six	6	6	-	5	5	-	-	-	-	-	-	-
Seven	8	8	-	6	6	-	-	-	-	-	-	-
Eight												
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14+CR.)												
Subtotal	58	58	-	45	45	-	-	-	-	-	-	-
Special Ed - Elementary	7	7	-	5	5	-	-	-	-	-	-	-
Special Ed - Middle School	4	4	-	3	3	-	-	-	-	-	-	-
Special Ed - High School												
Subtotal	11	11	-	8	8	-	-	-	-	-	-	-
Co. Voc. - Regular												
Co. Voc. - FT PostSec.												
Totals	69	69	-	53	53	-	-	-	-	-	-	-
Percentage Error			0.00%			0.00%			0.00%		0.00%	0.00%

Transportation

	Reported on DRTRS by DOE/County		Reported on DRTRS by District		Tested		Verified		Errors	
	DOE/County	District	District	District	Tested	Verified	Tested	Verified	Errors	Errors
Reg. - Public Schools, col. 1	34	34	-	26	26	-	-	-	-	-
Reg - Sp Ed, col. 4	-	-	-	-	-	-	-	-	-	-
Transported - Non-Public, col. 3	1	1	-	1	1	-	-	-	-	-
AIL	4	4	-	3	3	-	-	-	-	-
Special Ed Spec, col. 6	21	21	-	16	16	-	-	-	-	-
Totals	60	60	-	46	46	-	-	-	-	-
Percentage Error									0.00%	

Reg Avg. (Mileage) = Regular Including Grade PK Students (Part A) 2.84
 Reg Avg. (Mileage) = Regular Excluding Grade PK Students (Part A) 2.84
 Spec Avg. (Mileage) = Special Ed with Special Needs (Part B) 3.4

Reported 2.84
 Recalculated 2.84
 Reported 3.4
 Recalculated 3.4

LINWOOD BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

SCHEDULE OF AUDITED ENROLLMENTS

	Resident LEP NOT Low Income	Sample for Verification
	Reported on A.S.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income
	Income	Workpapers
	Errors	Sample Selected from Workpapers
	Errors	Test Score and Register
	Errors	Sample Errors
Half Day Preschool	-	-
Full Day Preschool	-	-
Half Day Kindergarten	-	-
Full Day Kindergarten	-	-
One	-	-
Two	-	-
Three	-	-
Four	-	-
Five	-	-
Six	-	-
Seven	-	-
Eight	-	-
Nine	-	-
Ten	-	-
Eleven	-	-
Twelve	-	-
Post-Graduate	-	-
Adult H.S. (15+CR.)	-	-
Adult H.S. (1-14+CR.)	-	-
Subtotal	-	-
Special Ed - Elementary	-	-
Special Ed - Middle School	-	-
Special Ed - High School	-	-
Subtotal	-	-
Co. Voc. - Regular	-	-
Co. Voc. - FT Post Sec.	-	-
Totals	-	-
Percentage Error	0.00%	0.00%

**LINWOOD SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION 1

2014-2015 Total General Fund Expenditures reported on Exh.(C-1)	\$ <u>14,730,590</u> (B)
Increased by Applicable Operating Transfers	
Transfer from Capital Outlay to Capital Projects	\$ _____ (B1a)
Transfer from Capital Reserve to Capital Projects	\$ _____ (B1b)
2014-2015 Adjusted General Fund & Other State Expenditures {(B)-(B2)}	\$ <u>14,730,590</u> (B2)
Decreased by:	
On-Behalf State Aid Payments	\$ <u>1,382,139</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)
2014-2015 General Fund Expenditures [(B2)-(B2a)-(B-2b)]	\$ <u>13,348,451</u> (B3)
2% of Adjusted 2014-2015 General Fund Expenditures [(B3) times .02]	\$ <u>266,969</u> (B4)
Enter Greater of (A10) or \$250,000	\$ <u>266,969</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>49,971</u> (K)
Maximum Unreserved/Undesignated Fund Balance [(A11)+(K)]	\$ <u>316,940</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-15	\$ <u>2,820,813</u> (C)
Decreased by:	
Reserved for Encumbrances	\$ <u>370,809</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Legally Restricted -Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>403,157</u> (C3)
Other Restricted/Reserved Fund Balances ****	\$ <u>1,158,161</u> (C4)
Assigned - Designated for Subsequent Year's Expenditures	\$ <u>150,000.00</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>738,686</u> (UI)

SECTION 3

Restricted Fund Balance - Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER -0-	\$ <u>421,746</u> (E)
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>403,157</u> (C3)
Restricted Excess Surplus***[(E)]	\$ <u>421,746</u> (E)
Total [(C3)+(E)+(F)]	\$ <u>824,903</u> (F)

* This adjustment line (line (K) as detailed below) is to be utilized for Impact Aid, Sale and Lease-back, Extraordinary Aid, and Additional Nonpublic School Transportation Aid, if applicable. Extraordinary Aid and Additional Nonpublic Transportation for 2014-15 received after June 30 is limited to the amount of revenue recognized in the audit year that was not appropriated.

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ <u>49,115.00</u> (J1)
Additional Nonpublic Transportation Aid	\$ <u>856.00</u> (J2)
Total Adjustments[(H)+(I)+(J1)+(J2)]	\$ <u>49,971.00</u> (K)

** This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2015 CAFR and Audit Summary Worksheet Line 90030.

**** Amount for Other Restricted/Reserved Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant Commissioner of Finance prior to September 30.

Detail of Other Restricted/Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	_____
Sale/lease-back reserve	\$	_____
Capital reserve	\$	_____ 896,037.00
Maintenance reserve	\$	_____ 262,124.00
Tuition reserve	\$	_____
Emergency Reserve	\$	_____
Waiver Offset Reserve - Designated for Subsequent Year	\$	_____
Other state/government mandated reserve	\$	_____
[Other Restricted Fund Balance not noted above]****	\$	_____
Total Other Restricted/Reserved Fund Balance	\$	_____ 1,158,161.00 (C4)