

CITY OF LINWOOD

SCHOOL DISTRICT

AUDITORS' MANAGEMENT REPORT

ON ADMINISTRATIVE FINDINGS

FINANCIAL, COMPLIANCE AND PERFORMANCE

JUNE 30, 2011

**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, 2011, and have issued our report thereon dated October 11, 2011.

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

Glen J. Ortman
Certified Public Accountant
Licensed Public School Accountant
No. 853

October 11, 2011

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	\$ 190,000.00
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

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:23-2.2(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-2.4. 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.

Financial Planning, Accounting and Reporting (Continued)

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.

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-3 (as amended) and 18A:39-3 are \$26,000 and \$17,200 respectively. The Board designated a Qualified Purchasing Agent in accordance with N.J.S. 18A:8A-3 which increases the bid threshold to \$36,000.

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.

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 not maintained in satisfactory condition. The financial accounts and applications were reviewed on a test-check basis. The following were noted:

Finding 2011-01

From December to fiscal year end, we were unable to trace students' time and attendance used for billing to student sign out sheets. In addition, the program's accountant did not bill for program costs on a timely basis resulting in a significant increase in program receivables as of year end.

Recommendation

That all district records relevant to the Before and After School Care program be maintained, and billings and collections be made timely.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures should be separately recorded. Vendor invoices were reviewed and costs verified.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status.

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, 2010 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 and 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 2010-2011 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.

Our procedures also include 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, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction without exception.

Follow-Up on Prior Year Findings

“Not Applicable”

Had there been any prior year findings, in accordance with government auditing standards, our procedures would have included a review of all prior year recommendations including findings.

We have also reviewed any findings, if any, contained in the audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC) without exception.

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.

Ford, Scott & Associates, L.L.C.
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LINWOOD BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2010

	2011-2012 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 Verification	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	18	-	18	-	-	-	5	-	5	-	-	-	-	-	-	-
Full Day Preschool	48	-	48	-	-	-	12	-	12	-	-	-	-	-	-	-
Half Day Kindergarten	70	-	70	-	-	-	18	-	18	-	-	-	-	-	-	-
Full Day Kindergarten	78	-	78	-	-	-	20	-	20	-	-	-	-	-	-	-
One	77	-	77	-	-	-	20	-	20	-	-	-	-	-	-	-
Two	93	-	93	-	-	-	24	-	24	-	-	-	-	-	-	-
Three	101	-	101	-	-	-	26	-	26	-	-	-	-	-	-	-
Four	98	-	98	-	-	-	25	-	25	-	-	-	-	-	-	-
Five	82	-	82	-	-	-	21	-	21	-	-	-	-	-	-	-
Six	104	-	104	-	-	-	27	-	27	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14+CR.)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	769	-	769	-	-	-	198	-	198	-	-	-	-	-	-	-
Special Ed - Elementary	97	-	97	-	-	-	31	-	31	-	-	-	-	-	-	-
Special Ed - Middle School	35	-	35	-	-	-	11	-	11	-	-	-	-	-	-	-
Special Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	132	-	132	-	-	-	42	-	42	-	-	-	-	-	-	-
Co. Voc. - Regular	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. - FT Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	901	-	901	-	-	-	240	-	240	-	-	-	-	-	-	-
Percentage Error					0.00%					0.00%						0.00%

LINWOOD BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2010

	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 Preschool	3	3	-	3	3	-	-	-	-	-	-	-
Full Day Preschool	1	1	-	1	1	-	-	-	-	-	-	-
Half Day Kindergarten	5	5	-	4	4	-	-	-	-	-	-	-
Full Day Kindergarten	3	3	-	3	3	-	-	-	-	-	-	-
One	5	5	-	4	4	-	-	-	-	-	-	-
Two	3	3	-	3	3	-	-	-	-	-	-	-
Three	5	5	-	4	4	-	-	-	-	-	-	-
Four	7	7	-	6	6	-	-	-	-	-	-	-
Five	6	6	-	5	5	-	-	-	-	-	-	-
Six	4	4	-	3	2	1	-	-	-	-	-	-
Seven	3	3	-	3	3	-	-	-	-	-	-	-
Eight	6	6	-	5	5	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14-CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	43	43	-	37	36	1	-	-	-	-	-	-
Special Ed - Elementary	12	12	-	10	10	-	-	-	-	-	-	-
Special Ed - Middle School	3	3	-	3	3	-	-	-	-	-	-	-
Special Ed - High School	15	15	-	13	13	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. - Regular	-	-	-	-	-	-	-	-	-	-	-	-
Co. Voc. - FT Post Sec.	-	-	-	-	-	-	-	-	-	-	-	-
Totals	58	58	-	50	49	1	-	-	-	-	-	-
Percentage Error			0.00%			2.00%			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	Verified		
Reg. - Public Schools, col. 1	59	59	-	28	28	28	28	-	-
Reg. - Sp Ed, col. 4	17	17	-	8	8	8	8	-	-
Transported - Non-Public, col. 3	8	8	-	4	4	4	4	-	-
ALL	2	2	-	1	1	1	1	-	-
Special Ed Spec, col. 6	22	22	-	11	11	11	11	-	-
Totals	108	108	-	52	52	52	52	-	-
Percentage Error									0.00%

Reg Avg. (Mileage) = Regular Including Grade PK Students (Part A) 2.6
 Reg Avg. (Mileage) = Regular Excluding Grade PK Students (Part B) 2.6
 Spec Avg. = Special Ed with Special Needs 2.1

**LINWOOD BOARD OF EDUCATION
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2010**

	Resident LEP NOT Low Income		Sample for Verification	
	Reported on A.S.S.A as LEP Not Low Income	Reported on Workpapers Not Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
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%	0.00%	0.00%

**LINWOOD SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2011**

SECTION 1

2010-2011 Total General Fund Expenditures reported on Exh.(C-1)	\$ <u>13,094,922.00</u> (A)
Increased by Applicable Operating Transfers	
Transfer to Food Service	\$ _____ (A1a)
Transfer from Capital Outlay to Capital Projects	\$ _____ (A1a)
Transfer from Capital Reserve to Capital Projects	\$ _____ (A1a)
2010-2011 Adjusted General Fund & Other State Expenditures {(A)-(A1)}	\$ <u>13,094,922.00</u> (A2)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>904,379.00</u> (A3)
Assets Acquired Under Capital Leases	\$ _____ (A4)
2010-2011 General Fund Expenditures [(A2)-(A3)]	\$ <u>12,190,543.00</u> (A9)
2% of Adjusted 2010-2011 General Fund Expenditures [(A9) times .02]	\$ <u>243,810.86</u> (A10)
Enter Greater of (A10) or \$250,000	\$ <u>250,000.00</u> (A11)
Increased by: Allowable Adjustment*	\$ <u>157,128.00</u> (K)
Maximum Unreserved/Undesignated Fund Balance [(A11)+(K)]	\$ <u>407,128.00</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-10	\$ <u>2,502,310.00</u> (C)
Decreased by:	
Reserved for Encumbrances	\$ <u>108,242.00</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Legally Restricted -Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>322,967.00</u> (C3)
Other Restricted/Reserved Fund Balances ****	\$ <u>1,046,657.00</u> (C4)
Assigned - Designated for Subsequent Year's Expenditures	\$ <u>127,033.00</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>897,411.00</u> (U)

SECTION 3

Restricted Fund Balance - Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER -0-	\$ <u>490,283.00</u> (E)
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>322,967.00</u> (C3)
Restricted Excess Surplus***[(E)]	\$ <u>490,283.00</u> (E)
Total [(C3)+(E)+(F)]	\$ <u>813,250.00</u> (D)

* 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 2010-11 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>156,606.00</u> (J1)
Additional Nonpublic Transportation Aid	\$ <u>522.00</u> (J2)
Unbudgeted FICA Wage Freeze Grant Rev	\$ _____ (J3)
Total Adjustments[(H)+(I)+(J1)+(J2)]	\$ <u>157,128.00</u> (K)

** This amount represents the June 30, 2010 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 10025.

*** Amount must agree to the June 30, 2011 CAFR and Audit Summary Worksheet Line 10024.

*** 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	\$	_____
Capital outlay for a school district with a capital outlay Commissioner CAP Waiver	\$	_____
Sale/lease-back reserve	\$	_____
Capital reserve (N-1)	\$	_____ 942,262.00
Maintenance reserve (N-2)	\$	_____ 104,395.00
Tuition reserve (N-3)	\$	_____
Emergency Reserve (N-4)	\$	_____
Waiver Offset Reserve (N-5)	\$	_____

Other Restricted/Reserved Fund Balances not noted above **** \$ _____

Total Other Restricted/Reserved Fund Balance \$ _____ 1,046,657.00 (C4)

THIS QUESTIONNAIRE MUST BE SEPARATELY FILED WITH THE OFFICE OF FISCAL POLICY AND PLANNING WITH EACH REPORT OF AUDIT FOR THE YEAR ENDING JUNE 30, 2011. IT IS NOT TO BE BOUND IN THE REPORT.



SIGNATURE OF PUBLIC SCHOOL ACCOUNTANT