

*Auditor's Management Report*

*for the*

*City of Linden  
School District*

*in the*

*County of Union  
New Jersey*

*for the*

*Fiscal Year Ended  
June 30, 2017*



**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE  
FINDINGS-FINANCIAL AND COMPLIANCE**

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Accounts	2
Position Control Roster	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Treasurer's Records	3
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	4
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5-6
School Food Service	6-7
Student Body Activities	7
Application for State School Aid	8
Pupil Transportation	8
Capital Assets and Facilities	8
Testing for Lead of Drinking Water in Educational Facilities	8
Follow-Up Prior Year's Findings	8
Recommendations	9
Schedule of Audited Enrollments	10-12
Excess Surplus Calculation	13

**Tax ID Number 22-6002033**





# SUPLEE, CLOONEY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

308 East Broad Street, Westfield, New Jersey 07090-2122

Telephone 908-789-9300

Fax 908-789-8535

E-mail [info@scnco.com](mailto:info@scnco.com)

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
City of Linden School District  
Linden, New Jersey 07036

We have audited, in accordance with U.S. generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the City of Linden School District in the County of Union for the year ended June 30, 2017, and have issued our report dated November 3, 2017.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended solely for the information of the City of Linden School District, County of Union, New Jersey, the New Jersey Department of Education and federal and state audit awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
CERTIFIED PUBLIC ACCOUNTANTS

  
PUBLIC SCHOOL ACCOUNTANT NO. 962

November 3, 2017

**Independent Auditor’s Management Report of Administrative Findings – Financial and Compliance**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the activities of the City of Linden - Board of Education, 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 the Insurance Schedule (Exhibit J-20) contained in the District’s Comprehensive Annual Financial Report (CAFR).

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

<u>Name</u>	<u>Position</u>	<u>Amount of Bonds</u>
Kathleen A. Gaylord	Business Administrator/Board Secretary	\$500,000.00
Danny A. Robertozzi	Superintendent	\$500,000.00

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Payroll Accounts**

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 tested were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board with a warrant made to her order for the full amount of each payroll.

**Independent Auditor's Management Report of Administrative  
Findings – Financial and Compliance**

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

**Position Control Roster**

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

**Reserve for Encumbrances and Accounts Payable**

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

**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 errors were noted and no additional procedures were deemed necessary to the test the propriety of expenditure classification.

**Board Secretary's Records**

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer.

**Treasurer's Records**

The records maintained by the Treasurer were in satisfactory condition and were in agreement with the records maintained by the Board Secretary/Business Administrator.

**Independent Auditor's Management Report of Administrative  
Findings – Financial and Compliance**

**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**

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 Title I, Title II and Title III 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 Exhibits K-3 and K-4 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.

**T.P.A.F. Reimbursement**

Our audit procedures included a test of the semi-monthly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund.

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.



**Independent Auditor's Management Report of Administrative  
Findings – Financial and Compliance**

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertisement for Bids**

N.J.S.A. 18A:18A-3 states "a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$29,000.00, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefor, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. (pending before the Legislature as section 15 of this bill) of section 9 of P.L. 1971 c. 198 (C.40A:11-9) the board of education may establish that the bid threshold may be up to \$40,000.00. Such authorization may be granted for each contract for by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L. 1999 c. 440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2 and shall round the adjustment to the nearest \$1,000.00. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of every year in which it is made. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.A. 18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this chapter or specifically by any other law.

The Board of Education may, by resolution, approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2015, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$29,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$40,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$18,800.00.

**Independent Auditor's Management Report of Administrative Findings – Financial and Compliance**

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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 the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," 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.

The system of records did not provide for an accumulation of purchases for which the School Board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal however, that the district made purchases through the use of state contracts.

**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, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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, or appropriate school food service personnel, 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 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.

**Independent Auditor's Management Report of Administrative Findings – Financial and Compliance**

**School Food Service (Continued)**

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. 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 priced meal policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs 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 goods and services. The District is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return an operating profit of at least \$78,000.00.. The operating results provision has been met.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Service employees. No exceptions were noted.

Cash receipts and bank records were reviewed for timely deposit.

National Food Distribution Commodities were received and an inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G.

**Student Body Activities**

The records for the Student Body Activities were maintained in satisfactory condition.

## **Independent Auditor's Management Report of Administrative Findings – Financial and Compliance**

### **Application for State School Aid**

Our audit procedures included a test of information reported in the October 14, 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 workpapers with minor exceptions. The information that was included on the workpapers was verified with minor 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 had written procedures for the recording of student enrollment.

### **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 on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. 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.

### **Capital Assets and Facilities**

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

### **Testing for Lead of Drinking Water in Educational Facilities**

We were advised that the school district adhered to 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.

### **Follow-Up Prior Year's Audit Findings**

In accordance with governmental auditing standards, our procedures included a review of all prior year recommendations. There were no prior year audit findings.

**Independent Auditor's Management Report of Administrative Findings – Financial and Compliance**

**Recommendations**

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

None

**School Purchasing Program**

None

**School Food Service**

None

**Student Body Activities**

None

**Application for State School Aid**

None

**Pupil Transportation**

None

**Capital Assets and Facilities**

None

**Testing for Lead of Drinking Water in Educational Facilities**

None

**Prior Year Audit Findings**

None

**CITY OF LINDEN SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-18 Application for State School Aid						Sample for Verification						Private School for Handicapped															
	Reported on A.S.S.A. as 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						
	Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		Full	Shared		
Half Day Pre-School	11			11			0			1			1			0												
Full Day Pre-School	306			306			0			16			16			0												
Full Day Kindergarten	403			403			0			21			21			0												
One	424			424			0			22			22			0												
Two	383			383			0			20			20			0												
Three	392			392			0			20			20			0												
Four	382			382			0			20			20			0												
Five	369			369			0			19			19			0												
Six	397			397			0			21			21			0												
Seven	367			367			0			19			19			0												
Eight	316			316			0			16			16			0												
Nine	366			366			0			19			19			0												
Ten	320			320			0			16			16			0												
Eleven	359	15		359	15		0			19			19			0												
Twelve	366	18		366	18		0			19			19			0												
Subtotal	5,161	33		5,161	33		0	0	0	288	0	0	288	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SpEd Elementary (PK-5)	399			399			0			21			21			0			20			15			15			0
SpEd Middle School (6-8)	212			212			0			11			11			0			24			15			15			0
SpEd High School	221	23		221	26		0			12			12			0			42			35			35			0
Subtotal	832	23		832	26		0	0	0	44	0	0	44	0	0	0	0	0	86	0	0	65	0	0	65	0	0	0
Totals	5,993	56		5,993	59		0	0	0	312	0	0	312	0	0	0	0	0	86	0	0	65	0	0	65	0	0	0
Percentage							0.00%									0.00%												0.00%

**CITY OF LINDEN SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 14, 2016**

	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	Sample Selected from Workpapers	Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers	Verified to Application and Register
Full Day Kindergarten	219	219	20	20	22	22	10	10
One	248	248	20	20	41	41	10	10
Two	213	213	20	20	23	23	10	10
Three	224	224	20	20	12	12	5	5
Four	223	223	20	20	7	7	2	2
Five	214	214	20	20	8	8	2	2
Six	235	235	20	20	12	12	5	5
Seven	209	209	20	20	10	10	5	5
Eight	186	186	15	15	12	12	5	5
Nine	209	209	20	20	11	11	5	5
Ten	199	199	20	20	13	13	5	5
Eleven	183.5	183.5	15	15	14	14	5	5
Twelve	180	180	15	15	6	6	2	2
Subtotal	2742.5	2742.5	245	245	191	191	71	71
SpEd Elementary	237	237	20	20	11	11	4	4
SpEd Middle School	139	139	15	15	0	0	0	0
SpEd High School	164.5	164.5	15	15	0	0	0	0
Subtotal	540.5	541	50	50	11	11	4	4
Totals	3283	3283	295	295	202	202	75	75
Percentage Error	0.00%		0.00%		0.00%		0.00%	

	Transportation	
	Reported on DRTS by DOE	Reported on DRTS by District
Reg. Public Schools, col.1	797	797
Transported - Non-Public, col.2	71	71
Nonpublic - All, col.3	127	127
Reg. - SpEd, col.4	217	217
Special Ed Spec, col.6	144	144
Totals	1356	1356
Percentage Error	0.00%	

**CITY OF LINDEN SCHOOL DISTRICT**  
**SCHEDULE OF AUDITED ENROLLMENTS**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 14, 2016**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Pre-School						
Full Day Pre-School						
Full Day Kindergarten	23	23	0	15	15	0
One	22	22	0	15	15	0
Two	13	13	0	10	10	0
Three	5	5	0	5	5	0
Four	1	1	0			0
Five	7	7	0	7	7	0
Six	1	1	0			0
Seven	5	5	0			0
Eight	5	5	0			0
Nine	9	9	0	9	9	0
Ten	6	6	0	5	5	0
Eleven	8	8	0	8	8	0
Twelve	1	1	0			0
Subtotal	<u>106</u>	<u>106</u>	<u>0</u>	<u>74</u>	<u>74</u>	<u>0</u>
SpEd Elementary	3	3	0	0	0	0
SpEd Middle School	0	0	0	0	0	0
SpEd High School	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>109</u>	<u>109</u>	<u>0</u>	<u>74</u>	<u>74</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>



EXCESS SURPLUS CALCULATION

SECTION 1

General Fund Expenditures: Fiscal Year Ended June 30, 2017	\$	123,984,644.03
Add: Transfer from Capital Reserve to Capital Projects		<u>1,025,000.00</u> 125,009,644.03
Less: Reimbursed TPAF Pension and Social Security Reimbursement		<u>12,981,745.37</u>
Adjusted General Fund Expenditures	\$	112,027,898.66
Excess Surplus Percentage		<u>0.02</u>
Maximum Unreserved/Undesignated Fund Balance	\$	2,240,557.97
Allowable Adjustments:		
Extraordinary Aid	\$	108,225.00
Nonpublic School Transportation Aid		<u>28,379.00</u>
		<u>136,604.00</u>
Maximum Unreserved/Undesignated Fund Balance	\$	<u><u>2,377,161.97</u></u>

SECTION 2

Total General Fund Balance	\$	25,774,158.89
Decreased By:		
Year End Encumbrances		1,642,121.06
Legally Restricted Excess Surplus- Designated for Subsequent Year's Expenditures		2,171,156.46
Other Reserved Fund Balances:		
Capital Reserve	15,364,354.67	
Emergency Reserve	925,307.22	
Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures		<u>408,456.54</u>
Total Unreserved/Undesignated Fund Balance	\$	<u>5,262,762.94</u>
Restricted Excess Surplus (June 30, 2017)		<u><u>2,885,600.97</u></u>

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2017

Restricted Excess Surplus	\$	2,885,600.97
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures		<u>2,171,156.46</u>
Total Excess Surplus	\$	<u><u>5,056,757.43</u></u>



