

Auditor's Management Report

for the

*Township of Union
School District*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2011*

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Scope of Audit	3
Administrative Practices and Procedures	
Insurance	3
Official Bonds	3
Tuition Charges	3
Financial Planning, Accounting and Reporting	
Examination of Claims	4
Payroll Accounts	4
Reserve for Encumbrances and Accounts Payable	4
Classification of Expenditures	4
Unemployment Compensation Insurance Trust Fund	4
Board Secretary's Records	5
Treasurer's Records	5
Elementary and Secondary Education Act of 1965 (E.S.E.A.),/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001	5
Other Special Federal and/or State Projects	5
T.P.A.F. Reimbursement	5
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	6-7
School Food Service	7-8
Student Body Activities	8
Application for State School Aid	9
Pupil Transportation	9
Facilities and Capital Assets	9
Follow-Up on Prior Years' Findings	9
Recommendation	10
Schedule of Meal Count Activity	11
Schedule of Audited Enrollments	12-14
Excess Surplus Calculation	15

Tax ID Number 22-6002350



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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY THE NEW JERSEY DEPARTMENT OF EDUCATION

Honorable President and Members
of the Board of Education
Township of Union School District
County of Union
Union, New Jersey 07083

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 Township of Union School District in the County of Union, New Jersey as of and for the year ended June 30, 2011 and have issued our report dated October 28, 2011.

In connection with our audit of the 2010-2011 basic financial statements of the Township of Union School District, County of Union, New Jersey we considered, the District's internal control structure, its compliance with laws and regulations and other matters required by the New Jersey Department of Education. The results and findings of our procedures are described in the following Auditor's Management Report of Administrative Findings - Financial and Compliance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Meal Count Activity - Food Service Fund, Audited Enrollments - Application for State School Aid And Calculation of Excess Surplus are not a required part of the basic financial statements of the Township of Union School District but are supplementary information required by the New Jersey Department of Education. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

SUPLEE, CLOONEY & COMPANY

This report is intended for the information of the Township of Union School District, County of Union, New Jersey, the New Jersey Department of Education and federal and state audit 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. 93

October 28, 2011

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

SCOPE OF AUDIT

The audit covered the financial transactions of the Board Secretary and School Business Administrator and Treasurer of School Monies, the activities of the Township of Union 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 in the District's CAFR (See Exhibit "J-20").

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Debra Cyburt	Treasurer of School Monies	\$530,000.00
James J. Damato	Board Secretary/Attorney	\$ 10,000.00
Manuel E. Vieira	Interim Business Administrator	\$ 10,000.00
All Employees	Public Employees Blanket Bond	\$500,000.00

Adequacy of insurance coverage is the responsibility of the Board of Education.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the changes in per pupil costs.

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

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 Board approval, signatures, certification or supporting documentation.

Payroll Accounts

The net salaries of all employees of the Board were deposited in the Net Payroll Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Employees payroll deductions and the Board's required payroll contributions were deposited in the Payroll Agency Account. Salary withholdings were promptly remitted to the proper agencies.

The balances of funds on deposit in the Payroll Account are analyzed on a monthly basis.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2011 for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) 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 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

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

Board Secretary's Records

The financial records, books of account and minutes of the Board Secretary were maintained in satisfactory condition and the contractual order system was fully implemented.

Treasurer's Records

The records maintained by the Treasurer of School Monies were in agreement with the records maintained by the Board Secretary/School Business Administrator.

**Elementary and Secondary Education Act of 1965 (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 contained within the Special Revenue Section of the CAFR represent an accurate statement of the financial position pertaining to projects under Titles I, II, IV 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 Schedule A and Schedule B located in the CAFR.

Our examination of the state and federal 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 contained within the Special Revenue Section of the CAFR represent an accurate statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

**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 \$17,500.00, 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 therefore, 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 \$29,000.00. Such authorization may be granted on each contract or 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.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 the 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.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 approved 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 January 1, 2011, and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3 and 18A:39-3 are \$36,000.00 and \$26,000.00 respectively.

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

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 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 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 following purchases were made through the use of state contracts:

Office Supplies
School Supplies
Janitorial Supplies
Instructional Furniture and Supplies
Computer Equipment

SCHOOL FOOD SERVICE

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.

The cafeterias are managed by Aramark Corporation.

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 properly computed and timely filed. Meals claimed agreed with the meal count records tested.

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

SCHOOL FOOD SERVICE(CONTINUED)

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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all Child Nutrition Program employees.

The cash disbursements records reflected expenditures for program related goods and services. The Board 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. Net cash resources did not exceed three months average expenditures.

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

Exhibits reflecting Child Nutrition Program operations are included in Section G of the CAFR.

STUDENT BODY ACTIVITIES

Separate activity funds are maintained for the High School, High School Athletics, the Middle Schools and the Elementary Schools.

Cash receipts and disbursements records submitted for examination were analyzed. Cash receipts were tested to the depository. Canceled checks, vouchers and supportive invoices were tested and compared to the disbursement records. Athletic events gate receipts reports were analyzed and compared with bank deposits.

It was noted that the High School is not always depositing funds received within 48 hours as required by School Board Policy.

**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 15, 2010 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. 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 work papers without exception. 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 the standard workpapers or their equivalent. The district has maintained adequate written procedures for the enrollment.

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 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.

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. No exceptions were noted.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

A review was performed on all prior year's recommendations and corrective action was taken on all.

RECOMMENDATION

Student Body Activities

That the High School deposit all receipts within 48 hours as required by school policy.

TOWNSHIP OF UNION SCHOOL DISTRICT
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE [®]	(OVER) UNDER CLAIM
National School Lunch (Regular Rate)	Paid	426,729	28,894	28,894	0	0.25	0.00
	Reduced	91,775	6,085	5,725	(360)	2.28	(820.80)
	Free	274,879	18,421	18,781	360	2.68	964.80
	TOTAL	793,383	53,400	53,400	0		144.00
School Breakfast (Regular Rate)	Paid	10,917	924	924	0	0.26	0.00
	Reduced	4,291	382	382	0	1.16	0.00
	Free	25,339	2,169	2,169	0	1.46	0.00
	TOTAL	40,547	3,475	3,475	0		0.00
School Breakfast (Severe Needs Rate)	Paid	11,071	624	624	0	0.26	0.00
	Reduced	6,103	371	371	0	1.44	0.00
	Free	35,013	2,274	2,274	0	1.74	0.00
	TOTAL	52,187	3,269	3,269	0		0.00
Special Milk	Paid	N/A	N/A	N/A		N/A	N/A
	Free	N/A	N/A	N/A		N/A	N/A
	TOTAL						
After School Snacks	Paid	N/A	N/A	N/A		N/A	N/A
	Reduced	N/A	N/A	N/A		N/A	N/A
	Free (Area Elig)	N/A	N/A	N/A		N/A	N/A
TOTAL							
TOTAL NET UNDERCLAIM							144.00

**TOWNSHIP OF UNION PUBLIC SCHOOLS
ENROLLMENT AS OF OCTOBER 15, 2010**

	2011-12 Application for State School Aid				Sample for Verification				Private School for Disabled					
	Reported on ASSA		Reported on Workpapers		Sample Selected from Workpapers		Verified 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
Half Day Preschool 3-yr Old	3		3	0	0	0								
Full Day Preschool 3-yr Old	168		166	2	0	7		7			0			
Half Day Preschool 4-yr Old														
Full Day Preschool 4-yr Old														
Half Day Kindergarten														
Full Day Kindergarten	481		481	0	0	20		20			0			
One	507		507	0	0	21		21			0			
Two	465		465	0	0	19		19			0			
Three	533		533	0	0	22		22			0			
Four	479		478	1	0	20		20			0			
Five	473		473	0	0	20		20			0			
Six	523		523	0	0	22		22			0			
Seven	496		496	0	0	20		20			0			
Eight	508		507	1	0	21		21			0			
Nine	466		466	0	0	19		19			0			
Ten	522		523	(1)	0	22		22			0			
Eleven	481	5	481	0	0	20		20			0			
Twelve	513	7	513	0	0	21		21			0			
Post-Graduate														
Adult High School (15+ Credits)														
Adult High School (1-14 Credits)														
Subtotal	6,618	12	6,615	3	0	274	0	274	0	0	0	0	0	0
Sp. Ed. - Elementary	302		302	0	0	12		12			0		13	0
Sp. Ed. - Middle School	245		245	0	0	10		10			0		8	0
Sp. Ed. - High School	355	30	355	0	0	15	1	15	1		0		27	0
Subtotal	902	30	902	0	0	37	1	37	1		0		48	0
Co. Voc. - Regular														
Co. Voc. Fl. Post Sec.														
Totals	7,520	42	7,517	3	0	311	1	311	1	0	0	0	48	0
Percentage				0.04%						0.00%				0.00%

TOWNSHIP OF UNION PUBLIC SCHOOLS
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 Test Score and Register	Sample Errors
Half Day Preschool 3-yr Old	1	1										
Full Day Preschool 3-yr Old	10	10										
Half Day Preschool 4-yr Old	126	126		3	3		13	13	(1)	3	3	
Full Day Preschool 4-yr Old	156	156		3	3		15	15		4	4	
Half Day Kindergarten	151	151		3	3		11	11		3	3	
Full Day Kindergarten	181	181		3	3		8	9	(1)	2	2	
One	169	169		3	3		8	8		2	2	
Two	158	158		2	2		1	1		1	1	
Three	166	166		2	2		2	2		1	1	
Four	154	154		2	2							
Five	194	194		2	2							
Six	167	167		2	2							
Seven	171	171		3	3	1	15	15		4	4	
Eight	146	146		3	3		11	11		3	3	
Nine	146	146		2	2		7	7		2	2	
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR)												
Adult H.S. (1-14 CR)												
Subtotal	2,096	2,096		33	30	2	90	92	(2)	24	24	
Special Ed - Elementary	99	99		3	3		3	1	2	1	1	
Special Ed - Middle	120	120		2	2							
Special Ed - High	151	151		2	2							
Subtotal	370	370		7	7		3	1	2	1	1	
Co. Voc. - Regular												
Co. Voc. FL Post Sec.												
Totals	2,466	2,466		40	37	2	93	93		25	25	
Percentage Error			0%						0%			0%

Transportation		
Reported on DIRTRS by DOE/County	Reported on DIRTRS by District	Errors
1,104	1,104	
51	175	175
332	8	8
231	53	53
1,718	272	272
		0%

Percentage Error		
Reg. - Public Schools, col. 1	Reg - SpEd, col. 4	Transported - Non-Public, col. 3
4.4	4.4	4.4
4.4	4.4	4.4
6.7	6.7	6.7

**TOWNSHIP OF UNION PUBLIC SCHOOLS
ENROLLMENT AS OF OCTOBER 15, 2010**

	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 Application and Register	Sample Errors
Half Day Preschool 3-yr Old						
Full Day Preschool 3-yr Old						
Half Day Preschool 4-yr Old						
Full Day Preschool 4-yr Old						
Half Day Kindergarten						
Full Day Kindergarten						
One	18	17	1	1	1	
Two	20	20		1	1	
Three	10	10		1	1	
Four	9	6	3	1	1	
Five	6	6		1	1	
Six	2	2		1	1	
Seven	2	2				
Eight						
Nine	3	3		1	1	
Ten	8	8		1	1	
Eleven	4	4		1	1	
Twelve	9	9		1	1	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	91	87	4	9	9	
Special Ed - Elementary						
Special Ed - Middle		2	(2)	1	1	
Special Ed - High						
Subtotal		2	(2)	1	1	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	91	89	2	10	10	
Percentage Error			2.20%			0%

EXCESS SURPLUS CALCULATION

SECTION 1

General Fund Expenditures: Fiscal Year Ended June 30, 2011		\$113,900,521.18
Add: Transfer from Capital Reserve to Capital Projects		12,000,000.00
		<u>\$125,900,521.18</u>
Less: Reimbursed TPAF Pension and Social Security Reimbursement		7,255,748.08
		<u>7,255,748.08</u>
Adjusted General Fund Expenditures		118,644,773.10
Excess Surplus Percentage		2.00%
Maximum Unreserved/Undesignated Fund Balance		\$2,372,895.46
Allowable Adjustments:		
Extraordinary Aid	\$379,305.00	
Nonpublic School Transportation Aid	66,058.00	
		<u>445,363.00</u>
Maximum Unreserved/Undesignated Fund Balance		<u>\$2,818,258.46</u>

SECTION 2

Total General Fund Balance		\$16,413,071.75
Decreased By:		
Year End Encumbrances	\$795,330.50	
Other Reserved Fund Balances:		
Capital Reserve	3,420,466.77	
Maintenance Reserve	250,000.00	
Emergency Reserve	1,000,000.00	
Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures	949,909.00	
		<u>6,415,706.27</u>
Total Unassigned Fund Balance		<u>\$9,997,365.48</u>
Reserved Excess Surplus (June 30, 2011)		<u>\$7,179,107.02</u>

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2011		
Reserved Excess Surplus-(Audsum line 10024)		<u>\$7,179,107.02</u>
Total Excess Surplus		<u>\$7,179,107.02</u>



