

**SADDLE BROOK BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

**SADDLE BROOK BOARD OF EDUCATION
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Independent Auditor's Management Report	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-5
School Purchasing Programs	5
Food Service Fund	5-6
Community School Fund	6
Student Activity Fund and Athletic Account	6
Application for State School Aid	6
Pupil Transportation	6
Facilities and Capital Assets	7
Miscellaneous	7
Follow-up on Prior Year Findings	7
Schedule of Meal County Activity – Not Applicable	8
Schedule of Net Cash Resources	9
Schedule of Audited Enrollments	10-12
Calculation of Excess Surplus	13
Recommendations	14
Acknowledgment	15



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S MANAGEMENT REPORT

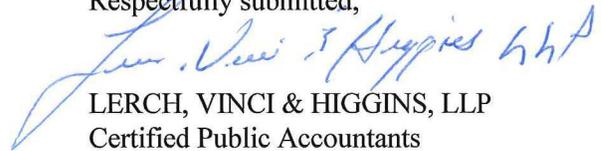
Honorable President and Members
of the Board of Trustees
Saddle Brook Board of Education
Saddle Brook, New Jersey

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 Saddle Brook Board of Education as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 16, 2019.

As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey 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 management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Certified Public Accountant
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 16, 2019

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, the activities of the 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 contained in the district's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Raymond Karaty, CPA, PSA	Board Secretary/School Business Administrator	\$ 250,000
Peter Bellani, CPA	Treasurer of School Monies	\$ 250,000

There is an Employees' Dishonesty Faithful Performance coverage with Selective Insurance Company of America, covering all other employees with multiple coverage of \$400,000.

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 adjustment 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 did not indicate any discrepancies with respect to signatures, certifications or supporting documentation.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

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 Agency Account.

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

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the General Fund.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

Employee Position Control Roster

The District maintained an employee position control roster.

Travel

The District has adopted a policy regulating district travel.

Payments made to employees for a travel event were in accordance with the approved travel policy.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6:20-2A.2(m) 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:23-8.2. As a result of the procedures performed, there were no errors.

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.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in very good condition.

Acknowledgment of the Board's receipt of the Board Secretary and Treasurer's monthly financial reports was included in the minutes.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

The prescribed contractual order system was followed.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

The Treasurer did perform cash reconciliation's for the general operating account and payroll accounts (N.J.S.A. 18A:17-36).

All cash receipts were promptly deposited.

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

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

Elementary and Secondary Education Act (E.S.E.A.)/as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A./IASA financial exhibits are contained within the Special Revenue Fund of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title IIA and Title III of the Elementary and Secondary Education Act.

I.D.E.A. Part B

Separate accounting was maintained for each approved project.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and K-4 located in the CAFR.

Our examination 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. Reimbursements

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.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 60 day grant liquidations period, but prior to the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Nonpublic State Aid

Project completion reports were finalized and transmitted to Department by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 are \$40,000 (with a qualified purchasing agent) and \$29,000 (without a qualified purchasing agent), respectively. The District has appointed Raymond Karaty as a qualifying purchasing agent. The law regulating bidding for public school student transportation contracts under NJSA 18A:39-3 is \$19,000 for 2018-19.

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 goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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.

Food Service Fund

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. 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 good condition.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. 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 have a profit. The operating results provision has been met.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Food Service Fund (Continued)

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 of the school food service.

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

Net cash resources did not exceed three months average expenditures.

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

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

Community Programs Fund

Cash receipts and cash disbursements were maintained in good condition and in accordance with established Board policy.

Student Activity Fund and Athletic Account

The District had a policy and procedures in place for regulating the student activity funds.

Cash receipts and cash disbursements were maintained in good condition.

Finding – Our audit of the Smith and Long Elementary Schools activity accounts revealed the following:

- Deposit slips were not available for our review for both Smith and Long Elementary Schools
- Pre-numbered receipts were not issued for cash collections for both Smith and Long Elementary Schools
- Deposits were not being made timely; two- six weeks after point of collection for the Smith Elementary School

Recommendation – It is recommended that the Smith and Long Elementary Schools that deposit slips are utilized for all collections, pre-numbered receipts are issued for all cash collected and deposits are made timelier.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private school for the handicapped, low-income, related services and bilingual education. 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 isolated exception. The information that was included on the workpapers was verified with isolated exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2018-19 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without 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. No exceptions were noted in our review of transportation related purchases of goods and services.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Facilities and Capital Assets

Our procedures included a review of SDA grant agreement for consistency with recording SDA revenue, transfer of Local Funds from the General Fund or from the Capital Reserve Account, and awarding contracts for eligible facilities construction.

Miscellaneous

Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all 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 on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations, there were no prior year recommendations.

**SADDLE BROOK BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Current Assets

Cash & Cash Equiv.	\$ 50,819
Due from Other Gov'ts	29,492
Accounts Receivable	6,056
Investments	

Current Liabilities

Less Accounts Payable	6,284
Less Accruals	
Less Due to Other Funds	
Less Lease Payable	
Less Deferred Revenue	<u>16,285</u>

Net Cash Resources	<u>\$ 63,798</u>	(A)
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Net Adj. Total Operating Expense:

Tot. Operating Exp.	\$ 631,337
Less Depreciation	<u>(18,368)</u>
Adj. Tot. Oper. Exp.	<u>\$ 612,969</u>

(B)

Average Monthly Operating Expense:

B / 10	<u>\$ 61,297</u>	(C)
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Three times monthly Average:

3 X C	<u>\$ 183,891</u>	(D)
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TOTAL IN BOX A	\$ 63,798
LESS TOTAL IN BOX D	\$ 183,891
NET	\$ (120,093)

From above:

A is greater than D, cash exceeds 3 X average monthly operating expenses.

D is greater than A, cash does not exceed 3 X average monthly operating expenses.

**SADDLE BROOK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2018**

	2019-20 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on		Reported on				Sample		Verified per		Errors per		Reported on		Sample	
	Original		Workpapers		Errors		Selected from		Register		Registers		A.S.S.A. as		for	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private	Verifi-	Sample	Sample
On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	On Roll	Schools	cation	Verified	Errors	
Half Day Pre K (3yrs)	8		8		-	-	8		8		-	-				
Full Day Pre K (3yrs)	7		7		-	-	7		7		-	-				
Half Day Pre K (4yrs)	3		3		-	-	3		3		-	-				
Full Day Pre K (4yrs)	9		9		-	-	9		9		-	-				
Half Day Kindergarten					-	-					-	-				
Full Day Kindergarten	115		115		-	-	34		33		1	-				
Grade 1	104		104		-	-	28		28		-	-				
Grade 2	102		102		-	-	33		33		-	-				
Grade 3	96		96		-	-	27		27		-	-				
Grade 4	99		99		-	-	35		35		-	-				
Grade 5	96		96		-	-	42		42		-	-				
Grade 6	115		115		-	-	43		43		-	-				
Grade 7	110		110		-	-	110		110		-	-				
Grade 8	108		108		-	-	108		108		-	-				
Grade 9	106	3	106	3	-	-	106	3	106	3	-	-				
Grade 10	108	1	108	1	-	-	108	1	108	1	-	-				
Grade 11	105	3	105	3	-	-	105	3	105	3	-	-				
Grade 12	96	1	96	1	-	-	96	1	96	1	-	-				
Subtotal	1,387	8	1,387	8	-	-	902	8	901	8	1	-				
Sp Ed- Elementary	166		166		-	-	24		24		-	-	7	6	6	-
Sp Ed - Middle School	88		88		-	-	10		10		-	-	7	6	6	-
Sp Ed - High School	100	7	100	7	-	-	20		20		-	-	17	15	15	-
Subtotal	354	7	354	7	-	-	54	-	54	-	-	-	31	27	27	-
Totals	1,741	15	1,741	15	-	-	956	8	955	8	1	-	31	27	27	-
Percentage Error					0.00%	0.00%					0.10%	15.38%				0.00%

SADDLE BROOK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2018

	Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on	Reported on	Errors	Sample	Verified to	Sample	Reported on	Reported on	Errors	Sample	Verified to	Sample
	A.S.S.A	Workpapers		Selected from	Application		A.S.S.A	Workpapers		Selected from	Application	
Half Day Pre K (3yrs)			-	-	-	-	-	-	-	-	-	-
Full Day Pre K (3yrs)			-	-	-	-	-	-	-	-	-	-
Half Day Pre K (4yrs)			-	-	-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)			-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten			-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	9	9	-	3	2	1						
Grade 1	12	12	-	6	6	-						
Grade 2	11	11	-	5	5	-						
Grade 3	17	17	-	7	6	1	1	1	-	1	1	-
Grade 4	16	16	-	7	7	-	1	1	-	1	1	-
Grade 5	21	21	-	13	13	-	1	1	-	1	1	-
Grade 6	14	14	-	7	7	-						
Grade 7	15	15	-	10	10	-						
Grade 8	13	13	-	8	7	1						
Grade 9	16	16	-	11	11	-						
Grade 10	16	16	-	9	9	-						
Grade 11	12	12	-	9	9	-						
Grade 12	10	10	-	6	5	1						
Subtotal	182	182	-	101	97	4	3	3	-	3	3	-
Sp Ed - Elementary	18	18	-	10	9	1	1	1	-			-
Sp Ed - Middle School	22	22	-	13	13	-						-
Sp Ed - High School	15	15	-	9	8	1						-
Subtotal	55	55	-	32	30	2	1	1	-	-	-	-
Totals	237	237	-	133	127	6	4	4	-	3	3	-
Percentage Error			0.00%			-4.51%			0.00%			0.00%

	Transportation					
	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by	DRTRS by				
Reg. - Public Schools	79	79	-	43	43	-
Special Ed. - Public	43.5	43.5	-	21	21	-
Transported - Non - Public	121	121	-	58	58	-
Special Needs - Public	43.5	43.5	-	21	21	-
	287	287	-	143	143	-
Percentage Error			0.00%			0.00%

**SADDLE BROOK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15,2018**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-
Half Day Pre K (4yrs)			-			-
Full Day Pre K (4yrs)			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten			-			-
Grade 1	2	2	-	2	2	-
Grade 2	5	4	1	1	1	-
Grade 3	1	1	-	3	3	-
Grade 4	3	3	-	1	1	-
Grade 5	1	1	-			-
Grade 6			-			-
Grade 7			-			-
Grade 8			-	6	6	-
Grade 9	6	6	-			-
Grade 10			-	5	5	-
Grade 11	5	5	-			-
Grade 12			-			-
Subtotal	23	22	1	18	18	-
Sp Ed - Elementary	4	4		4	4	-
Sp Ed - Middle School	2	2		2	2	
Sp Ed - High School	1	1		1	1	
Subtotal	7	7	-	7	7	-
Totals	30	29	1	25	25	-
		-3.33%			0.00%	

**SADDLE BROOK BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

2018-2019 Total General Fund Expenditures per the CAFR	\$	39,420,557
Increased by:		
Capital Reserve Transfer to Capital Projects Fund		300,000
Decreased by:		
Assets Acquired by Capital Lease		(141,657)
On-Behalf TPAF Pension & Social Security		<u>(4,724,878)</u>
Adjusted 2018-2019 General Fund Expenditures	\$	<u>34,854,022</u>
2% of Adjusted 2018-2019 General Fund Expenditures	\$	697,080
Increased by: Allowable Adjustments- Non-Public Transportation		<u>33,844</u>
Maximum Unreserved/Undesignated Fund Balance	\$	<u>730,924</u>
Total General Fund - Fund Balance at June 30, 2019 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	769,468
Decreased by:		
Year End Encumbrances	\$	327,103
Capital Reserve		75,268
Maintenance Reserve- Designated for Subsequent Year's Expenditures		<u>100,000</u>
		<u>502,371</u>
Total Unassigned Fund Balance	\$	<u>267,097</u>
Reserved Fund Balance - Excess Surplus	\$	<u>-</u>
<i>Recapitulation of Excess Surplus as of June 30, 2019</i>		
Reserved Excess Surplus- Designated for Subsequent Year's Expenditures		-
Reserved Excess Surplus		<u>-</u>
Total Excess Surplus	\$	<u>-</u>

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. Food Service Fund

There are none.

V. Community School Fund

There are none.

VI. Student Activity Fund and Athletic Account

It is recommended that for the Smith and Long Elementary Schools that deposit slips are utilized for all collections, pre-numbered receipts are issued for all cash collected and deposits are made timelier.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

There are none.

X Miscellaneous

There are none.

XI. Status of Prior Year Audit Findings/Recommendations

Corrective action has been taken.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Paul J. Lerch
Public School Accountant
Certified Public Accountant