

**CLOSTER BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2016**

**CLOSTER BOARD OF EDUCATION  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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# LERCH, VINCI & HIGGINS, LLP

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## AUDITOR'S MANAGEMENT REPORT

Honorable President and Members  
of the Board of Education  
Borough of Closter  
County of Bergen, 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 Closter Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated December 2, 2016.

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.

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

Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
December 2, 2016

**CLOSTER BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**GENERAL COMMENTS**

**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 (Exhibit J-20) contained in the District's Comprehensive Annual Financial Report (the "CAFR").

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Peter C. Iappelli	Business Administrator/Board Secretary	\$100,000
Norma Ketler	Treasurer of School Monies	260,000

There is Public Employee Dishonesty coverage with Selective Insurance Co. of America covering all other employees with coverage of \$100,000 per employee and \$400,000 per loss.

**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 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 reveal any discrepancies with respect to signatures, certifications or 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 Agency Account.

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

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

**CLOSTER BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**Payroll Account (Continued)**

Payrolls were delivered to the Treasurer of School Moneys with a warrant made to her order for the full amount of each payroll.

The required certification (E-CERT) of compliance with requirements for income tax on compensation for administrators to the New Jersey Department of Treasury was filed by the March 15 deadline.

**Employee Position Control Roster**

The Board has implemented and maintains a personal tracking and accounting (Position Control) System.

**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 reserves 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:23-2.11 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, no errors were detected and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**Board Secretary's Records**

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

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

Approved budgetary line accounts were not overexpended.

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

The prescribed contractual order system was followed.

**Treasurer's Records**

The Treasurer did perform cash reconciliations for the general operating account, unemployment compensation account, payroll account and payroll agency account (N.J.S.A. 18A:17-36).

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

**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 Fiduciary Fund.

**CLOSTER BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

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./NCLB 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 III of the Elementary and Secondary Education Act.

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.

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.

Other Special Federal and/or State Projects

The financial exhibits contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly 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.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

None.

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 and \$29,000, respectively. If the District's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c. 198 (C.40A:11-9), the Board of Education may establish the bid threshold up to \$40,000. The District's Business Administrator is qualified and the District has increased by Board resolution the bid threshold to \$40,000.

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 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.

**CLOSTER BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**School Purchasing Programs (Continued)**

The results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A.18A:18A-4.

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, that purchases were made through the use of State contracts.

**School Food Service**

The financial transactions and statistical records of the school food service fund were maintained in satisfactory condition. The financial accounts, milk count records and eligibility applications were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposits.

Expenditures were separately recorded as milk and labor. 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 of the school food service. Net cash resources did not exceed three months average expenses.

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

**Student Body Activity**

The Board has a policy which clearly established the regulation of student activity funds.

All receipts were promptly deposited.

All cash disbursements had proper supporting documentation.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2015 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 without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

**CLOSTER BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2015-2016 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.

**Facilities and Capital Assets**

Our procedures included a review of the SDA grant agreement for consistence 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.

**Follow-up on Prior Year Findings**

There were none.



**CLOSTER BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SCHEDULE OF MEAL COUNT ACTIVITY**

**NOT APPLICABLE**

**SCHEDULE OF NET CASH RESOURCES – FOOD SERVICE FUND**

**NOT APPLICABLE**

**CLOSTER BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015  
SCHEDULE OF AUDITED ENROLLMENTS**

	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on		Sample	
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as		for	
	On Roll		On Roll		Full		Workpapers		On Roll		On Roll		Private		Verifi-	
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Sample	Sample	
														Verified	Errors	
Half Day Preschool 3 Years Old	4		4		-	-	4		4		-					
Full Day Preschool 3 Years Old	5		5		-	-	5		5		-					
Half Day Preschool 4 Years Old	7		7		-	-	7		7		-					
Full Day Preschool 4 Years Old	11		11		-	-	11		11		-					
Half Day Kindergarten					-	-					-					
Full Day Kindergarten	99		99		-	-	99		99		-					
Grade 1	109		109		-	-	109		109		-					
Grade 2	105		105		-	-	105		105		-					
Grade 3	104		104		-	-	104		104		-					
Grade 4	106		106		-	-	106		106		-					
Grade 5	100		100		-	-	100		100		-					
Grade 6	109		109		-	-	109		109		-					
Grade 7	104		104		-	-	104		104		-					
Grade 8	126		126		-	-	126		126		-					
Grade 9					-	-					-					
Grade 10					-	-					-					
Grade 11					-	-					-					
Grade 12					-	-					-					
Post- Graduate					-	-					-					
Adult High School (15+ Credits)					-	-					-					
Adult High School (1-14 Credits)					-	-					-					
Subtotal	989	-	989	-	-	-	989	-	989	-	-	-	-	-	-	
Sp Ed - Elementary	78		78		-	-	78		78		-					
Sp Ed - Middle School	47		47		-	-	47		47		-		2	2	2	
Sp Ed - High School					-	-					-					
Subtotal	125	-	125	-	-	-	125	-	125	-	-	-	2	2	2	
County Vocational - Regular					-	-					-					
County Vocational - F.T. Post-Second					-	-					-					
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Totals	1,114	-	1,114	-	-	-	1,114	-	1,114	-	-	-	2	2	2	
Percentage Error					0.00%						0.00%				0.00%	

CLOSTER BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015  
SCHEDULE OF AUDITED ENROLLMENTS

	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
Half Day Preschool 3 Years Old						
Full Day Preschool 3 Years Old						
Half Day Preschool 4 Years Old						
Full Day Preschool 4 Years Old						
Half Day Kindergarten						
Full Day Kindergarten	1	1	-	1	1	-
Grade 1	1	1	-	1	1	-
Grade 2	2	2	-	2	2	-
Grade 3	-	-	-	-	-	-
Grade 4	2	2	-	2	2	-
Grade 5	-	-	-	-	-	-
Grade 6	1	1	-	1	1	-
Grade 7	1	1	-	1	1	-
Grade 8	-	-	-	-	-	-
Grade 9	-	-	-	-	-	-
Grade 10	-	-	-	-	-	-
Grade 11	-	-	-	-	-	-
Grade 12	-	-	-	-	-	-
Post- Graduate						
Adult High School (15+ Credits)						
Adult High School (1-14 Credits)						
<b>Subtotal</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>8</b>	<b>8</b>	<b>-</b>
Sp Ed - Elementary	1	1	-	1	1	-
Sp Ed - Middle School	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-
<b>Subtotal</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>	<b>-</b>
County Vocational - Regular						
County Vocational - F.T. Post-Second						
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>9.0</b>	<b>9.0</b>	<b>-</b>	<b>9.0</b>	<b>9.0</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as LEP low Income	Reported on Workpapers as LEP low Income	Errors	Sample Selected	Verified to Test Score and Register	Errors
Half Day Preschool 3 Years Old						
Full Day Preschool 3 Years Old						
Half Day Preschool 4 Years Old						
Full Day Preschool 4 Years Old						
Half Day Kindergarten						
Full Day Kindergarten	-	-	-	-	-	-
Grade 1	1	1	-	1	1	-
Grade 2	1	1	-	1	1	-
Grade 3	-	-	-	-	-	-
Grade 4	-	-	-	-	-	-
Grade 5	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-
Grade 7	-	-	-	-	-	-
Grade 8	-	-	-	-	-	-
Grade 9	-	-	-	-	-	-
Grade 10	-	-	-	-	-	-
Grade 11	-	-	-	-	-	-
Grade 12	-	-	-	-	-	-
Post- Graduate						
Adult High School (15+ Credits)						
Adult High School (1-14 Credits)						
<b>Subtotal</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>
Sp Ed - Elementary	-	-	-	-	-	-
Sp Ed - Middle School	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
County Vocational - Regular						
County Vocational - F.T. Post-Second						
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>2</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>2</b>	<b>-</b>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	36	36	-	27	25	2
Regular - Special Ed	2	2	-	2	4	(2)
ALL Non-Public	37	37	-	28	28	-
Transported - Non Public	7	7	-	5	5	-
Special Needs	10	10	-	8	8	-
<b>Totals</b>	<b>92</b>	<b>92</b>	<b>-</b>	<b>70</b>	<b>70</b>	<b>-</b>
Percentage Error			<u>0.0%</u>			<u>0.0%</u>

**NORTHVALE BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015  
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on ASSA as NOT Low Income	Reported on Workpapers as NOT low Income	Errors	Sample Selected From Workpapers	Verified to Application and Register	Errors
Half Day Preschool 3 Years Old						
Full Day Preschool 3 Years Old						
Half Day Preschool 4 Years Old						
Full Day Preschool 4 Years Old						
Half Day Kindergarten						
Full Day Kindergarten						
Grade 1	16	16	-	14	14	-
Grade 2	18	18	-	15	15	-
Grade 3	7	7	-	6	6	-
Grade 4	8	8	-	7	7	-
Grade 5	7	7	-	6	6	-
Grade 6	2	2	-	2	2	-
Grade 7	3	3	-	3	3	-
Grade 8	1	1	-	1	1	-
Grade 9	4	4	-	3	3	-
Grade 10						
Grade 11						
Grade 12						
Post- Graduate						
Adult High School (15+ Credits)						
Adult High School (1-14 Credits)						
Subtotal	66	66	-	57	57	0
Sp Ed - Elementary	5	5		4	4	-
Sp Ed - Middle School	3	3		3	3	-
Sp Ed - High School						
Subtotal	8	8	-	7	7	-
County Vocational - Regular						
County Vocational - F.T. Post-Second						
Subtotal						
Totals	74	74	-	64	64	-
Percentage Error			0.00%			0.00%

**CLOSTER BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2015-2016 expenditures of \$100 million or less)**

2015-2016 Total General Fund Expenditures per the CAFR	\$ 20,701,118
Decreased by:	
On-Behalf TPAF Pension & Social Security	2,314,014
Adjusted 2015-2016 General Fund Expenditures	<u>\$ 18,387,104</u>
2% of Adjusted 2015-2016 General Fund Expenditures	<u>\$ 367,742</u>
Enter Greater of 2% of Adjusted 2015-2016 General Fund Expenditures or \$250,000	\$ 367,742
Increased by:	
Allowable Adjustment	103,062
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 470,804</u>

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2016	\$ 4,379,399
Decreased by:	
Year-End Encumbrances	79,159
Emergency Reerve	250,000
Capital Reserve	2,569,436
Capital Reserve - Designated for Subsequent Year's Expenditures	360,000
Reserved for Excess Surplus - Designated for Subsequent Year's Expenditures	<u>325,000</u>
Total Unassigned Fund Balance	<u>\$ 795,804</u>

**SECTION 3**

Restricted Fund Balance - Excess Surplus	<u>\$ 325,000</u>
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**Recapitulation of Excess Surplus as of June 30, 2016**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 325,000
Reserved Excess Surplus	<u>325,000</u>
Total Excess Surplus	<u>\$ 650,000</u>

**Detail of Allowable Adjustments**

Extraordinary Aid 2015-2016	\$ 95,931
Nonpublic Transportation Aid 2015-2016	<u>7,131</u>
Total Adjustments	<u>\$ 103,062</u>

**CLOSTER BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

There are none.

**III. School Purchasing Program**

There are none.

**IV. School Food Service**

There are none.

**V. Student Body Activities**

There are none.

**VI. Application for State School Aid**

There are none.

**VII. Pupil Transportation**

There are none.

**VIII. Facilities and Capital Assets**

There are none.

**IX. Miscellaneous**

There are none.

**Status of Prior Years' Audit Findings/Recommendations**

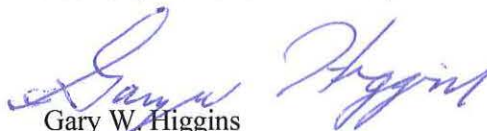
There are none.

**ACKNOWLEDGMENT**

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



Gary W. Higgins  
Public School Accountant  
Certified Public Accountant