

**SADDLE BROOK BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**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	5-6
Enterprise Funds	6
Community School Fund	6
Student Activity Fund and Athletic Account	7
Application for State School Aid	7
Pupil Transportation	7
Facilities and Capital Assets	7
Follow-up on Prior Year Findings	7
Schedule of Meal County Activity – Not Applicable	8
Schedule of Net Cash Resources – Not Applicable	8
Schedule of Audited Enrollments	9-11
Calculation of Excess Surplus	12
Recommendations	13-14
Acknowledgment	14



LERCH, VINCI & HIGGINS, LLP

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INDEPENDENT AUDITOR'S MANAGEMENT REPORT

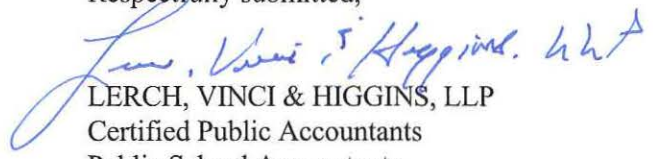
Honorable President and Members
of the Board of Trustees
Saddle Brook Board of Education
Saddle Brook, New Jersey

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, 2017, and have issued our report thereon dated November 30, 2017.

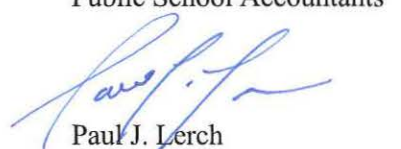
As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

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
November 30, 2017

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

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).

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

The prescribed contractual order system was followed.

Finding- Our audit of the governmental and enterprise funds revealed numerous interfund balances between the funds that have originated in the prior year and have accrued current year activity that were not liquidated at June 30th.

Recommendation- It is recommended that all interfund balances between the governmental and enterprise funds are liquidated and the activity between the funds is monitored and liquidated on a timely basis.

Finding- Our audit of individuals who terminated with the District revealed that there were two individuals who remained on dental benefits for several months after termination and one of those two individuals remained on health benefits for several months after termination. The district did receive a partial credit for the dental benefits.

Recommendation- It is recommended that the health and dental benefits are reviewed on a monthly basis to ensure only individuals who are eligible are receiving health and dental benefits.

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 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./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.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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.

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 currently \$18,800.

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.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

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.

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.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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 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 2016-17 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with an isolated 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. 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 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.

Finding- Our audit of the School Development Authority grant agreements/receivable balances in the Capital Projects Fund revealed that the projects have been completed; however the grant reimbursement requests have not been completed and filed with the School Development Authority.

Recommendation- It is recommended that the School Development Authority grant reimbursement requests in the Capital Projects Fund are completed and filed with the School Development Authority.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations, however 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, 2017**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**SADDLE BROOK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016**

	2017-18 Application for State School Aid						Sample for Verification				Private Schools for Disabled					
	Reported on		Reported on		Errors	Errors	Sample		Verified per		Errors per		Reported on	Sample	Sample	Sample
	Original		Workpapers				Selected from		Register		Registers		A.S.S.A. as	for		
	A.S.S.A.		On Roll		Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private	Verifi-	Verified	Errors
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Errors	
Half Day Pre K (3yrs)	3		3		-	-	3		2		1	-				
Full Day Pre K (3yrs)	5		5		-	-	5		6		(1)	-				
Half Day Pre K (4yrs)					-	-					-	-				
Full Day Pre K (4yrs)					-	-					-	-				
Half Day Kindergarten					-	-					-	-				
Full Day Kindergarten	91		91		-	-	32		32		-	-				
Grade 1	100		100		-	-	37		37		-	-				
Grade 2	103		103		-	-	37		37		-	-				
Grade 3	88		88		-	-	36		36		-	-				
Grade 4	117		117		-	-	35		35		-	-				
Grade 5	108		108		-	-	37		37		-	-				
Grade 6	110		110		-	-	41		41		-	-				
Grade 7	89		89		-	-	89		89		-	-				
Grade 8	123		123		-	-	123		123		-	-				
Grade 9	102	2	102	3	-	(1)	102	2	103	3	(1)	(1)				
Grade 10	100	1	100	1	-	-	100	1	100	1	-	-				
Grade 11	82	3	82	3	-	-	82	3	82	3	-	-				
Grade 12	115	5	115	5	-	-	115	5	115	5	-	-				
Subtotal	1,336	11.0	1,336.0	12	-	(1)	874	11.0	875	12.0	(1)	(1)				
Sp Ed- Elementary	150		150		-	-	26		26	-	-	-	6	6	6	-
Sp Ed - Middle School	82		82		-	-	13		13	-	-	-	6	6	6	-
Sp Ed - High School	90	6	90	8	-	(2.0)	15		15	-	-	-	17	13	13	-
Subtotal	322.0	6.0	322.0	8.0	-	(2.0)	54	-	54	-	-	-	29	25	25	-
Totals	1,658.0	17.0	1,658.0	20.0	-	(3.0)	928	11	929.0	12.0	(1.0)	(1.0)	29	25	25	-
Percentage Error					0.00%	-17.65%					-0.11%	15.38%				0.00%

6

SADDLE BROOK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016

	Low Income			Sample for Verification			Resident LEP 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	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	7	7	-	5	5	-						
Grade 1	13	13	-	8	8	-	1	1	-	1	1	-
Grade 2	12	12	-	6	6	-						
Grade 3	21	20	1	11	11	-	1	1	-	1	1	-
Grade 4	17	17	-	9	9	-						
Grade 5	19	18	1	9	9	-	2	2	-	2	2	-
Grade 6	17	17	-	11	11	-						
Grade 7	16	16	-	9	9	-	2	2	-	2	2	-
Grade 8	17	17	-	8	8	-						
Grade 9	12	12	-	6	6	-	1	1	-	1	1	-
Grade 10	9	8	1	4	4	-						
Grade 11	6	5	1	3	3	-						
Grade 12	14	14	-	8	8	-						
Subtotal	180	176	4	97	97	-	7	7	-	7	7	-
Sp Ed - Elementary	33	33	-	17	17	-	1	1	-	1	1	-
Sp Ed - Middle School	16	15	1	6	6	-						
Sp Ed - High School	21	21	-	10	10	-	1	1	-	1	1	-
Subtotal	70	69	1	33	33	-	2	2	-	2	2	-
Totals	250	245	5	130	130	-	9	9	-	9	9	-

Percentage Error 2.00% 0.00% 0.00% 0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	79		79	46	46	-
Transported - Non - Public	50		50	28	28	-
Special Ed. - Public	50		50	28	27	(1)
Special Needs - Public	44		44	25	25	-
Subtotal	223		223	127	126	(1)

Percentage Error 100.00% -0.79%

**SADDLE BROOK BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 14, 2016**

11

	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	3	3	-	1	1	-
Grade 1	2	1	1	1	1	-
Grade 2	3	3	-	3	3	-
Grade 3	2	2	-	2	2	-
Grade 4	1	1	-	1	1	-
Grade 5			-			-
Grade 6	1	1	-	1	1	-
Grade 7	1	1	-	1	1	-
Grade 8			-			-
Grade 9	1	1	-	1	1	-
Grade 10			-			-
Grade 11	3	3	-	3	3	-
Grade 12			-			-
Subtotal	<u>17</u>	<u>16</u>	<u>1</u>	<u>14</u>	<u>14</u>	<u>-</u>
Sp Ed - Elementary						-
Sp Ed - Middle School						
Sp Ed - High School						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>17</u>	<u>16</u>	<u>1</u>	<u>14</u>	<u>14</u>	<u>-</u>
			<u>-5.88%</u>			<u>0.00%</u>

**SADDLE BROOK BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2016-2017 Total General Fund Expenditures per the CAFR	\$ 35,027,178
Increased by:	
Transfer from Capital Reserve to Capital Projects Fund	782,000
Decreased by:	
Assets Acquired by Capital Lease	142,506
On-Behalf TPAF Pension & Social Security	<u>3,575,138</u>
Adjusted 2016-2017 General Fund Expenditures	<u>\$ 32,091,534</u>
2% of Adjusted 2016-2017 General Fund Expenditures	\$ 641,831
Increased by: Allowable Adjustments	<u>37,827</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 679,658</u>
Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 1,797,238
Decreased by:	
Year End Encumbrances	\$ 437,086
Capital Reserve	260,918
Maintenance Reserve	100,000
Legally Restricted- Excess Surplus- Designated for for Subsequent Year's Expenditures	135,240
Assigned Fund Balance- ARRA/SEMI Designated for Subsequent Year's Expenditures	998
Assigned Fund Balance- Unreserve-Designated for Subsequent Year's Expenditures	<u>75,000</u>
	<u>1,009,242</u>
Total Unassigned Fund Balance	<u>\$ 787,996</u>
Reserved Fund Balance - Excess Surplus	<u>\$ 108,338</u>
<i>Recapitulation of Excess Surplus as of June 30, 2017</i>	
Reserved Excess Surplus- Designated for Subsequent Year's Expenditures	\$ 135,240
Reserved Excess Surplus	<u>108,338</u>
Total Excess Surplus	<u>\$ 243,578</u>
<i>Detail of Allowable Adjustments</i>	
Extraordinary Aid Award- Excess over Budgeted Amount	16,482
Non-Public Transportation Aid	<u>21,345</u>
	<u>\$ 37,827</u>

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. All interfund balances between the governmental and enterprise funds are liquidated and the activity between the funds is monitored and liquidated on a timely basis.
2. The health and dental benefits are reviewed on a monthly basis to ensure only individuals who are eligible are receiving health and dental benefits.

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

There are none.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

It is recommended that the School Development Authority grant reimbursement requests in the Capital Projects Fund are completed and filed with the School Development Authority.

**SADDLE BROOK BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**RECOMMENDATIONS
(Continued)**

X Miscellaneous

There are none.

XI. Status of Prior Year Audit Findings/Recommendations

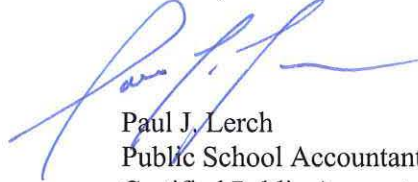
There were none.

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