

**CLOSTER BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2019**

**CLOSTER BOARD OF EDUCATION  
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Auditor's Management Report	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	5
School Food Service	5
Student Body Activity	5
Application for State School Aid	6
Pupil Transportation	6
Facilities and Capital Assets	6
Testing for Lead of All Drinking Water in Educational Facilities	6
Follow-up on Prior Year Findings	6
Schedule of Meal Count Activity – Not Applicable	7
Schedule of Net Cash Resources – Food Service Fund - Not Applicable	7
Schedule of Audited Enrollments	8-10
Calculation of Excess Surplus	11
Recommendations	12
Acknowledgment	13



# LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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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, 2019, and have issued our report thereon dated November 11, 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.

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

Gary W. Higgins  
Public School Accountant  
PSA Number CS00814

Fair Lawn, New Jersey  
November 11, 2019

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

**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>
Michael Donow	Interim Business Administrator/Board Secretary (7/1/18-1/15/19)	
Floro Villanueva, Jr.	Business Administrator/Board Secretary (1/16/19-6/30/19)	\$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 \$500,000 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, 2019**

**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.

Travel

The District has an approved Board travel policy as required by N.J.A.C. 6A:23A:6013 and N.J.S.A. 18A11-12. No exceptions were noted pertaining to travel expense payments tested.

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, a transaction error rate of 1.56 percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

**Finding** – The audit revealed that certain payments related to the installation of certain capital assets were charged to non-equipment budget appropriations. These payments were recorded as additions in the capital assets accounting records. No recommendation is warranted since the amounts are deemed immaterial and the original misclassification was deemed unintentional.

Board Secretary's Records

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

The Board Secretary's and Treasurer's reports were presented monthly to the Board on a timely basis and were submitted to the executive county superintendent as prescribed by (N.J.S.A. 18A:17-9 and 18A:17-36).

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

Approved budgetary line accounts were not overexpended.

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

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

Board Secretary's Records (Continued)

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.

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

The E.S.E.A./ESSA 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-A and 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.

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

I.D.E.A. Part B

Separate accounting was maintained for each approved project.

Grant application approvals and acceptance of grant funds were made by board resolution or recorded in the minutes.

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.

Non Public State Aid

None.

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

**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 Law regulating bidding for public school transportation contracts under N.J.S.A. 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 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.

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. 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.

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

**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 schools for the handicapped, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with an immaterial exception. The information that was included on the workpapers was verified without exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2018-2019 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.

**Facilities and Capital Assets**

Capital assets accounting records were properly updated and maintained.

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

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

**Follow-up on Prior Year Findings**

Corrective action was taken on prior year finding.



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

**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 SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018  
SCHEDULE OF AUDITED ENROLLMENTS**

	2019-20 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3yr	1	-	1	-	-	-	1	-	1	-	-	-	-	-	-	-
Half Day Preschool - 4yr	1	-	1	-	-	-	1	-	1	-	-	-	-	-	-	-
Full Day Preschool - 3yr	4	-	4	-	-	-	4	-	4	-	-	-	-	-	-	-
Full Day Preschool - 4yr	18	-	18	-	-	-	18	-	18	-	-	-	-	-	-	-
Half Day Kindergarten																
Full Day Kindergarten	100	-	100	-	-	-	100	-	100	-	-	-	-	-	-	-
One	123	-	123	-	-	-	123	-	123	-	-	-	-	-	-	-
Two	113	-	113	-	-	-	113	-	113	-	-	-	-	-	-	-
Three	116	-	116	-	-	-	116	-	116	-	-	-	-	-	-	-
Four	126	-	126	-	-	-	126	-	126	-	-	-	-	-	-	-
Five	117	-	117	-	-	-	117	-	117	-	-	-	-	-	-	-
Six	109	-	109	-	-	-	109	-	109	-	-	-	-	-	-	-
Seven	111	-	111	-	-	-	111	-	111	-	-	-	-	-	-	-
Eight	106	-	106	-	-	-	106	-	106	-	-	-	-	-	-	-
Nine																
Ten																
Eleven																
Twelve																
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Subtotal	1,045	-	1,045	-	-	-	1,045	-	1,045	-	-	-	-	-	-	-
Special Ed - Elementary	91	-	91	-	-	-	31	-	31	-	-	-	4	3	3	-
Special Ed - Middle School	55	-	55	-	-	-	18	-	18	-	-	-	1	1	1	-
Special Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	146	-	146	-	-	-	49	-	49	-	-	-	5	4	4	-
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	1,191	-	1,191	-	-	-	1,094	-	1,094	-	-	-	5	4	4	-
Percentage Error					0.00%	0.00%					0.00%	0.00%				0.00%

**CLOSTER BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018  
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>	<u>Reported on A.S.S.A. as LEP low Income</u>	<u>Reported on Workpapers as LEP low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	2.0	2.0	-	1.0	1.0	-	1.0	1.0	-	1.0	1.0	-
One	4.0	4.0	-	3.0	3.0	-	3.0	3.0	-	2.0	2.0	-
Two	1.0	1.0	-	1.0	1.0	-	-	-	-	-	-	-
Three	1.0	1.0	-	1.0	1.0	-	-	-	-	-	-	-
Four	1.0	1.0	-	1.0	1.0	-	-	-	-	-	-	-
Five	-	-	-	-	-	-	-	-	-	-	-	-
Six	1.0	1.0	-	1.0	1.0	-	-	-	-	-	-	-
Seven	-	-	-	-	-	-	-	-	-	-	-	-
Eight	1.0	1.0	-	1.0	1.0	-	-	-	-	-	-	-
Nine												
Ten												
Eleven												
Twelve												
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	<u>11</u>	<u>11</u>	<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
Special Ed - Elementary	2.0	2.0	-	2.0	2.0	-	1.0	1.0	-	1.0	1.0	-
Special Ed - Middle	2.0	2.0	-	2.0	2.0	-	-	-	-	-	-	-
Special Ed - High												
Subtotal	<u>4</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	<u>15</u>	<u>15</u>	<u>-</u>	<u>13</u>	<u>13</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>	<u>4</u>	<u>4</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

**Transportation**

	<u>Reported on DRTRS by DOE/county</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
Reg. - Public Schools, col. 1	37	37	-	28	28	-
Reg -SpEd, col. 4	2	2	-	2	2	-
Transported - Non-Public, col. 3	1	1	-	1	1	-
Special Ed Spec, col. 6	17	17	-	12	12	-
Totals	<u>57</u>	<u>57</u>	<u>-</u>	<u>43</u>	<u>43</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**CLOSTER BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018  
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten	14	14	-	4	4	-
One	12	12	-	4	4	-
Two	15	15	-	5	5	-
Three	7	7	-	2	2	-
Four	9	9	-	3	3	-
Five	5	5	-	1	1	-
Six	4	4	-	1	1	-
Seven	7	7	-	2	2	-
Eight	-					
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>73</u>	<u>73</u>	<u>-</u>	<u>22</u>	<u>22</u>	<u>-</u>
Special Ed - Elementary	6	6	-	1	1	-
Special Ed - Middle	1	1	-	1	1	-
Special Ed - High						
Subtotal	<u>7</u>	<u>7</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>80</u>	<u>80</u>	<u>-</u>	<u>24</u>	<u>24</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

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

**SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2018-2019 expenditures of \$100 million or less)**

2018-2019 Total General Fund Expenditures per the CAFR	\$	23,657,614
Decreased by:		
On-Behalf TPAF Pension & Social Security		3,384,107
Adjusted 2018-2019 General Fund Expenditures	\$	20,273,507
2% of Adjusted 2018-2019 General Fund Expenditures	\$	405,470
Enter Greater of 2% of Adjusted 2018-2019 General Fund Expenditures or \$250,000	\$	405,470
Increased by:		
Allowable Adjustment		255,746
Maximum Unreserved/Undesignated Fund Balance	\$	661,216

**SECTION 2**

Total General Fund - Fund Balance at June 30, 2019	\$	4,382,095
Decreased by:		
Year-End Encumbrances		78,458
Emergency Reerve		250,000
Capital Reserve		2,767,421
Reserved for Excess Surplus - Designated for Subsequent Year's Expenditures		325,000
Total Unassigned Fund Balance	\$	961,216

**SECTION 3**

Restricted Fund Balance - Excess Surplus	\$	300,000
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**Recapitulation of Excess Surplus as of June 30, 2019**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$	325,000
Reserved Excess Surplus		300,000
Total Excess Surplus	\$	625,000

**Detail of Allowable Adjustments**

Extraordinary Aid	\$	245,145
Nonpublic Transportation Aid		10,601
Total Adjustments	\$	255,746

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

**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**

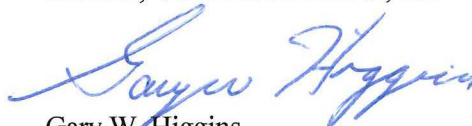
Corrective action was taken on the prior year recommendation.

**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