

VERNON TOWNSHIP BOARD OF EDUCATION  
COUNTY OF SUSSEX  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

VERNON TOWNSHIP BOARD OF EDUCATION  
COUNTY OF SUSSEX  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
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November 8, 2019

The Honorable President and Members  
of the Board of Education  
Vernon Township Board of Education  
County of Sussex, 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 financial statements of the Board of Education of the Vernon Township Board of Education in the County of Sussex for the fiscal year ended June 30, 2019, and have issued our report thereon November 8, 2019.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents. This letter does not affect our report dated November 8, 2019, on the financial statements of the Board.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the information of the Vernon Township Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

NISIVOCCIA LLP

A handwritten signature in cursive script, appearing to read "Raymond Sarinelli", is written over a horizontal line.

Raymond Sarinelli  
Licensed Public School Accountant #864  
Certified Public Accountant

VERNON TOWNSHIP BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer, 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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Officials in Office and Surety Bonds

There is a Blanket Employee Dishonesty Bond with the School Alliance Insurance Fund covering all other employees with multiple coverage of \$500,000.

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Nesta Jones	Treasurer	\$ 500,000
Steven A. Kepnes	Business Administrator	500,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C.6:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid on a test basis, during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

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

All payrolls were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrators and the Chief School Administrator. Payrolls were delivered to the Treasurer of School Monies with a warrant to her order for the full amount of the payroll.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents and business administrators) to the NJ Department of Treasury was filed by the March 15 due date.

VERNON TOWNSHIP BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

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

Classification of Expenditures – General and Administrative

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) 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, we reviewed administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A-23A-8.2. As a result of the procedures performed, we found no errors and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we noted one exception.

Finding

During our review of the board secretary's records it was noted that there were several journal entries posted to the general ledger that were recorded in error, however they were corrected after year end.

Recommendation

It is recommended that the Board Secretary continue to review the general ledger on a monthly basis to ensure all entries are accurately recorded.

Management's Response

The Board Secretary will continue to review the general ledger and all journal entries for accuracy.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

No Child Left Behind (N.C.L.B.) Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I, II, and IV of the Elementary and Secondary Education Act as amended and reauthorized.

VERNON TOWNSHIP BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Other Special Federal and/or State Projects

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.

The District's Special Projects were approved as listed on Schedule A and Schedule B 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.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements 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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2019. The reimbursement form was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

b. Commencing in the fifth year after the year in which P.L.1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made . . . ."

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law . . . ."

VERNON TOWNSHIP BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

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 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student 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 Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. General compliance was noted.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the 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.

School Food Service

The school food service program was not selected as a major federal and/or state program. We inquired of school management, or the appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also 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.

Non-program foods were purchased, prepared or offered for sale. The Statement of Revenue, Expenses and Changes in Net Position in the CAFR Schedule B-5 does separate program and non-program revenue and program and non-program cost of goods sold.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

VERNON TOWNSHIP BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

Application for State School Aid

Our audit procedures included a test of enrollments reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual education, and low income. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District workpapers with minor exceptions. The information that was included on the workpapers was verified on a test basis with minor exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District did maintain 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 with minor 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.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to ensure that the maximum is not exceeded.

The regulations also require that all travel be preapproved by the Board of Education and that the approval must be itemized by event, event total cost, and individuals attending. Overall compliance was noted.

Testing for Lead of all Drinking Water in Educational Facilities

The District did submit the annual Statement of Assurance to the NJ Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Status on Prior Year Finding/Recommendation

There was one recommendation in the prior year report regarding transfers which has been resolved.



VERNON TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018

	2019-2020 Application for State School Aid												
	Reported on		Reported on		Errors		Sample		Sample for Verification				
	On Roll	Shared	On Roll	Shared	Full	Shared	Workpapers	Shared	Full	Shared			
Half Day Preschool 3 Years Old	13		13				13		13				
Half Day Preschool 4 Years Old	34		31		3		34		31		3		
Full Day Kindergarten	158		157		1		158		157		1		
Grade One	173		173				173		173				
Grade Two	183		183				183		183				
Grade Three	167		165		2		167		165		2		
Grade Four	147		147				147		147				
Grade Five	179		180		(1)		179		180		(1)		
Grade Six	189		188		1		189		188		1		
Grade Seven	185		185				185		185				
Grade Eight	186		186				186		186				
Grade Nine	211	1	211	1			211	1	211	1			
Grade Ten	200		202	1	(2)	(1)	200	(1)	202	1	(2)	(1)	
Grade Eleven	190	2	187	3	3	(1)	190	2	187	3	3	(1)	
Grade Twelve	211		211				211		211				
Subtotal	2,426	3	2,419	5	7	(2)	2,426	3	2,419	5	7	(2)	
Special Education:													
Elementary	250		256		(6)		220		220				
Middle	126		125		1		123		123				
High	177		189		(12)		185		185				
Subtotal	553		570		(17)		528		528				
Totals	2,979	3	2,989	5	(10)	(2)	2,954	3	2,947	5	7	(2)	
Percentage Error					-0.33%	-40%					0.24%	-40.00%	

VERNON TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018

	Private Schools for Disabled				Resident Low Income					
	Reported on ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten										
Grade One					24	22	(2)	4	4	
Grade Two					34	35	1	5	5	
Grade Three					33	33		6	6	
Grade Four					23	22	(1)	4	4	
Grade Five					33	33		5	5	
Grade Six					29	30	1	3	3	
Grade Seven					43	42	(1)	6	6	
Grade Eight					37	35	(2)	5	4	1
Grade Nine					27	26	(1)	1	1	
Grade Ten					36	35	(1)	4	4	
Grade Eleven					28	30	2	5	5	
Grade Twelve					39	36	(3)	2	2	
Subtotal					26	26		5	3	2
					412	405	(7)	55	52	3
Special Education:										
Elementary School	4				58	53	(5)			
Middle School	5	1	1		45	40	(5)			
High School	12	2	2		47	48	1			
Subtotal	28	5	3		150	141	(9)			
Totals	28	5	3	-0-	562	546	(16)	55	52	3
Percentage Error				-0-%			-2.85%			6%

VERNON TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018

	Resident LEP Low Income				Resident LEP Not Low Income				
	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Sample Selected from Workpapers Errors	Verified to Test Scores, Application and Register	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Sample Selected from Workpapers Errors	Verified to Test Scores and Register	Sample Errors
Half Day Preschool 3 Years Old									
Half Day Preschool 4 Years Old									
Full Day Preschool									
Full Day Kindergarten									
Grade One	1		(1)						
Grade Two	2		(2)						
Grade Three	2		(2)	1					
Grade Four	1		(1)						
Grade Five	1		(1)						
Grade Six	2		(2)						
Grade Seven									
Grade Eight	1		(1)						
Grade Nine	1		(1)						
Grade Ten	1		(1)						
Grade Eleven									
Grade Twelve	1		(1)						
Subtotal	13		(13)	1					
Special Education:									
Elementary School									
Middle School									
High School									
Subtotal									
Totals	-0-	13	(13)	1	-0-	-0-	-0-	-0-	-0-
Percentage Error			100.00%				0.00%		0.00%

VERNON TOWNSHIP BOARD OF EDUCATION  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018

	Transportation					
	<u>Reported on DRTRS by DOE</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
Regular - Public Schools	2,314	2,328	(14)	60	60	
Regular - Special Education	432.0	432.0		30	30	
Transported - Non Public	81	81		7	7	
AIL - Non Public	30	30		2	2	
Special Needs - Public	73.0	73.0		1	1	
Special Needs - Private	21	21		3	3	
Totals	<u>2,951</u>	<u>2,965</u>	<u>(14)</u>	<u>103</u>	<u>103</u>	<u>-0-</u>
Percentage Error			<u>-0.47%</u>			<u>0.00%</u>

	<u>Reported</u>	<u>Recalculated</u>
Average Mileage - Regular Including Grade PK Students	6.3	6.3
Average Mileage - Regular Excluding Grade PK Students	6.3	6.3
Average Mileage - Special Education with Special Needs	11.0	11.0

VERNON TOWNSHIP BOARD OF EDUCATION  
EXCESS SURPLUS CALCULATION  
FISCAL YEAR ENDED JUNE 30, 2019

**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2018-2019 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 75,819,246	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ -0-	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ -0-	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ -0-	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ -0-	(B1d)
Decreased by:		
On-Behalf TPAF Pension and Social Security	\$ 10,104,271	(B2a)
Assets Acquired Under Capital Leases	\$ -0-	(B2b)
Adjusted 2018-2019 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 65,714,975</u>	(B3)
2% of Adjusted 2018-2019 General Fund Expenditures [(B3) times .02]	<u>\$ 1,314,300</u>	(B4)
Enter Greater of (B4) or \$250,000	<u>\$ 1,314,300</u>	(B5)
Increased by: Allowable Adjustment	<u>\$ 192,559</u>	(K)
Maximum Unassigned Fund Balance [(B5)+(K)]		<u><u>\$ 1,506,859</u></u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/19 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 3,403,579	(C)
Decreased by:		
Year End Encumbrances	\$ 458,088	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ -0-	(C2)
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 361,982</u>	(C3)
Other Restricted Fund Balances	<u>\$ 620,574</u>	(C4)
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ 125,000</u>	(C5)
Additional Assigned Fund Balance - Designated for Subsequent Year's Expenditures July 1, 2019 - August 1, 2019	<u>\$ -0-</u>	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u><u>\$ 1,837,935</u></u> (U1)

VERNON TOWNSHIP BOARD OF EDUCATION  
EXCESS SURPLUS CALCULATION  
FISCAL YEAR ENDED JUNE 30, 2019

**SECTION 3**

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0-	\$ <u>331,077</u> (E)
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**Recapitulation of Excess Surplus as of June 30, 2019**

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 361,982 (C3)
Restricted Excess Surplus [(E)]	\$ <u>331,077</u> (E)

Total [(C3)+(E)]	\$ <u>693,059</u> (D)
------------------	-----------------------

**Detail of Allowable Adjustments**

Impact Aid	\$ -0- (H)
Sale and Lease Back	\$ -0- (I)
Extraordinary Aid	\$ 160,369 (J1)
Additional Nonpublic School Transportation Aid	\$ 32,190 (J2)
Current Year School Bus Advertising Revenue Recognized	\$ -0- (J3)

Total Adjustments ((H)+(I)+(J1)+(J2)+(J3))	\$ <u>192,559</u> (K)
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**Detail of Other Restricted Fund Balance**

Statutory Restrictions	
Approved Unspent Separate Proposal	\$ -0-
Sale/Lease-Back Reserve	\$ -0-
Capital Reserve	\$ 618,104
Maintenance Reserve	\$ 2,470
Emergency Reserve	\$ -0-
Tuition Reserve	\$ -0-
School Bus Advertising 50% Fuel Offset Reserve – current year	\$ -0-
School Bus Advertising 50% Fuel Offset Reserve – prior year	\$ -0-
Other State/Governmental Mandated Reserve	\$ -0-
Other Reserved Fund Balance not Noted Above	\$ -0-

Total Other Restricted Fund Balance	\$ <u>620,574</u> (C4)
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VERNON TOWNSHIP BOARD OF EDUCATION  
SUMMARY OF RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2019

It is recommended that:

1. Administrative Practices and Procedures  
None
2. Financial Planning, Accounting and Reporting  
The Board Secretary continue to review the general ledger on a monthly basis to ensure all entries are accurately recorded.
3. School Purchasing Program  
None
4. School Food Service  
None.
5. Student Body Activities  
None
6. Application for State School Aid  
None
7. Pupil Transportation  
None
8. Facilities and Capital Assets  
None
9. Travel Expense and Reimbursement Policy  
None
10. Miscellaneous  
None
11. Status of Prior Year's Findings/Recommendations  
The prior year recommendation regarding transfers has been resolved.