

NEPTUNE CITY SCHOOL DISTRICT

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

**NEPTUNE CITY SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Neptune City School District
County of Monmouth, New Jersey

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Neptune City School District in the County of Monmouth for the year ended June 30, 2020, and have issued our report thereon dated February 24, 2021.

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 report is intended for the information of the Neptune City 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.



Licensed Public School Accountant

No. 2183

ALVINO & SHECHTER, L.L.C.

February 24, 2021
Neptune, New Jersey

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

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

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

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Yvonne Hellwig	Interim Business Administrator/ Board Secretary/Treasurer	\$200,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$25,000.00.

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, certification or supporting documentation.

Payroll Account and Position Control Roster

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 were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

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

An inquiry and subsequent review of the position control roster found no inconsistencies between the payroll records, employee benefit records (eg. pension reports and health benefit coverage reports), the general ledger account to where wages are posted (administrative versus instruction), and the Position Control Roster.

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: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, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification and administrative classification.

A. General Classification Findings

None

B. Administrative Classification Findings

None

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following.

Finding 2020-001 (CAFR):

Several budgetary line accounts were over-expended during the fiscal year ended at June 30, 2020 despite the Board Secretary's monthly certification to the contrary (N.J.A.C. 6A:23A-16.10).

Recommendation:

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

Treasurer's Records

The District passed a resolution on July 31, 2012 in accordance with Chapter 39, P.L. 2010, to abolish the position of treasurer of school monies and to have the Chief School Administrator assume the duties of the treasurer of school monies. On January 7, 2020 the District appointed Yvonne Hellwig Treasurer.

All records were properly maintained.

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 CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I, Title II and Title IV of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State 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.

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 study of compliance for the special projects indicated no areas of noncompliance.

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.

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of 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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The Interim Business Administrator was appointed as the qualified purchasing agent pursuant to N.J.S.A. 40A:11-9(b) and therefore the bid threshold was increased to \$40,000.00 per statute. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,200.00 for 2019-20.

The board of education has the responsibility of determining whether the expenditure 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 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.

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.

Paper and general classroom and office supplies were purchased through a cooperative bidding and purchasing participation agreement with the Middlesex Regional Educational Services Commission.

School Food Service

In accordance with the Governor's Declaration of Emergency pertaining to the COVID-19 Virus all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A.18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Price meal eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all free and reduced price meal eligible students during the emergency.

The Food Service Fund has not been audited as a major program and has not expended \$100,000.00 or more in Federal and State support.

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

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed, and meals claimed agreed with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days. The free and reduced price meal policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions were noted.

The Board of Education entered into a food service management contract with Maschio's Food Service, Inc., to operate the cafeteria for 2019/2020 school year.

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 beginning and ending inventories were accepted as submitted.

The cash disbursements records reflected expenditures for program related goods and services. The District is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

Finding 2020-002 (CAFR):

The Food Service Fund's net cash resources exceeded three months average by \$26,538.32.

Recommendation:

It is recommended that appropriate steps be taken to ensure that net cash resources does not exceed three months average expenditures.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

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

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modifications of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

Student Body Activities

The financial transactions of the student activity agency fund were reviewed. No exceptions were noted.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2019 Application for State School Aid (A.S.S.A.) for on roll, private school for the handicapped, 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 exception noted. 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.

Finding 2020-003 (CAFR):

The counts for On-Roll students, Resident Low Income Students, Resident LEP Not Low Income Students and Resident LEP Low Income Students did not agree to supporting documents.

Recommendation:

That care is exercised in preparing the Application for State School Aid.

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 2019/2020 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.

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 service.

Facilities and Capital Assets

There were no active facilities projects funded with SDA grants during the current fiscal year.

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

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

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

In accordance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, our procedures included a review of all prior year recommendations including findings reported in the prior year's Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance. Correction action was taken on all prior year's findings with the exception of the following, which are repeated in this year's recommendations noted as current year findings:

2020-001 (CAFR):

Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged prior to the board approving the requested transfer of additional appropriations to cover such orders.

2020-002 (CAFR):

It is recommended that appropriate steps be taken to ensure that net cash resources does not exceed three months average expenditures.

2020-003 (CAFR):

That care is exercised in preparing the Application for State School Aid.

Acknowledgment

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

Neptune City School District
Net Cash Resources Schedule
Proprietary Funds - Food Service
June 30, 2020

<u>Net Cash Resources:</u>		Food Service B - 4/5
CAFR	Current Assets	
B-4	Cash & Cash Equiv.	\$ 53,956.93
B-4	Due from Other Gov'ts	34.53
B-4	Accounts Receivable	11,642.56
B-4	Investments	0.00
CAFR	Current Liabilities	
B-4	Less Accounts Payable	3,855.34
B-4	Less Accruals	0.00
B-4	Less Due to Other Funds	910.73
B-4	Less Deferred Revenue	<u>2,373.22</u>
	Net Cash Resources	<u>\$ 58,494.73</u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	116,236.43
B-5	Less Depreciation	<u>(9,715.07)</u>
	Adj. Tot. Oper. Exp.	<u>\$ 106,521.36</u> (B)

Average Monthly Operating Expense:

B / 10 **\$ 10,652.14 (C)**

Three times monthly Average:

3 X C **\$ 31,956.41 (D)**

TOTAL IN BOX A	\$	58,494.73	
LESS TOTAL IN BOX D	\$	(31,956.41)	
NET	\$	<u>26,538.32</u>	
From above:			
Net Cash Resources Exceeds Three Months Expenditures			

NEPTUNE CITY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

SCHEDULE OF AUDITED ENROLLMENTS

	2020-2021 Application for State School Aid										Sample for Verification			Errors per Registers On Roll			Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Workpapers		Errors		Selected from Workpapers		Verified per Registers On Roll		Full		Shared		Reported on A.S.S.A. as Private Schools		Sample for Verification		Sample Verified			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Sample Errors	
Half Day Preschool																						
Full Day Preschool																						
Half Day Kindergarten																						
Full Day Kindergarten																						
One	25		25		0		25		25													
Two	23		23		0		23		23													
Three	19		20		(1)		20		20													
Four	25		27		(2)		27		27													
Five	22		21		1		21		21													
Six	18		18		0		18		18													
Seven	20		20		0		20		20													
Eight	22		22		0		22		22													
Nine	19		19		0		19		19													
Ten																						
Eleven																						
Twelve																						
Post-Graduate																						
Adult H.S. (15+CR.)																						
Adult H.S. (1-14 CR.)																						
Subtotal	193	0	195	0	(2)	0	195	0	195	0	195	0	195	0	0	0	0	0	0	0	0	0
Special Ed - Elementary	36		36		0		36		36													
Special Ed - Middle School	15		14		1		14		14													
Special Ed - High School																						
Subtotal	51	0	50	0	1	0	50	0	50	0	50	0	50	0	0	0	0	0	0	0	0	0
Co. Voc. - Regular																						
Co. Voc. Ft. Post Sec.																						
Totals	244	0	245	0	(1)	0	245	0	245	0	245	0	245	0	0	0	0	0	0	0	0	0
Percentage Error					-0.41%	0.00%									0.00%	0.00%						0.00%

SCHEDULE OF AUDITED ENROLLMENTS

NEPTUNE CITY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A. as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One	1					
Two		2	(1)	2	2	
Three						
Four	1	1		1	1	
Five	1	1		1	1	
Six						
Seven						
Eight	1	1		1	1	
Nine	1	1		1	1	
Ten						
Eleven						
Twelve	1	1		1	1	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>6</u>	<u>7</u>	<u>(1)</u>	<u>7</u>	<u>7</u>	<u>0</u>
Special Ed - Elementary						
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>6</u>	<u>7</u>	<u>(1)</u>	<u>7</u>	<u>7</u>	<u>0</u>
Percentage Error			<u>-16.67%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2019-2020 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>9,222,478.40</u> (B)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____(B1b)
Transfer from General Fund to SRF for Pre K - Regular	\$ _____(B1c)
Transfer from General Fund to SRF for Pre K - Inclusion	\$ _____(B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>673,249.57</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____(B2b)
Adjusted 2019-2020 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>8,549,228.83</u> (B3)
2% of Adjusted 2019-2020 General Fund Expenditures [(B3) times.02]	\$ <u>170,984.58</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>250,000.00</u> (B5)
Increased by: Allowable Adjustment	\$ <u>224,079.00</u> (K)
Maximum Unrestricted/Unassigned Fund Balance [(B5)+(K)]	\$ <u>474,079.00</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-20 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>2,102,952.43</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>14,570.24</u> (C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____(C2)
Legally Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	\$ <u>829,191.56</u> (C3)
Other Restricted Fund Balances	\$ <u>11,627.46</u> (C4)
Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures	\$ <u>111,400.44</u> (C5)
Additional Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures July 1, 2020 - August 1, 2020	\$ _____(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u>1,136,162.73</u> (U1)

SECTION 3

Restricted Fund Balance-Excess Surplus [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 662,083.73(E)

Recapitulation of Excess Surplus as of June 30, 2020

Restricted Excess Surplus-Designated for Subsequent Year's Expenditures \$ 829,191.56(C3)
Restricted Excess Surplus [(E)] \$ 662,083.73(E)
Total Excess Surplus [(C3)+(E)] \$ 1,491,275.29(D)

Detail of Allowable Adjustments

Impact Aid \$ _____(H)
Sales & Lease-back \$ _____(I)
Extraordinary Aid \$ 224,079.00(J1)
Additional Nonpublic School Transportation Aid \$ _____(J2)
Current Year School Bus Advertising Revenue Recognized \$ _____(J3)
Family Crisis Transportation Aid \$ _____(J4)

Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)] \$ 224,079.00(K)

Detail of Other Restricted Fund Balance

Statutory restrictions:
Approved unspent separate proposal \$ _____
Sale/lease-back reserve \$ _____
Capital reserve \$ 11,627.46
Maintenance reserve \$ _____
Tuition reserve \$ _____
School Bus Advertising 50% Fuel Offset Reserve - current year \$ _____
School Bus Advertising 50% Fuel Offset Reserve - prior year \$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003) \$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) \$ _____
Other state/government mandated reserve \$ _____
Other Restricted Fund Balance not noted above \$ _____

Total Other Restricted Fund Balance \$ 11,627.46(C4)

NEPTUNE CITY SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

- * Approved budgetary line accounts should not be over-expended. The Board Secretary should not approve the issuance of purchase orders that would cause over-expenditure in the line account to be charged, prior to the board approving the requested transfer of additional appropriations to cover such orders.

3. School Purchasing Programs

None

4. School Food Service

- * It is recommended that appropriate steps be taken to ensure that net cash resources does not exceed three months average expenditures.

5. Student Body Activities

None

6. Application for State School Aid

- * That care is exercised in preparing the Application for State School Aid.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Follow-up on Prior Year Findings

A review was performed on the prior year recommendations including findings and corrective action was taken on all except the items denoted with an asterisk (*).