

**SADDLE RIVER BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2020**

**SADDLE RIVER BOARD OF EDUCATION
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Report of Independent Auditor	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-5
School Purchasing Programs	6
Food Service Fund	6
Student Activity Accounts	7
Application for State School Aid	7
Pupil Transportation	7
Schedule of Milk Count 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
Acknowledgement	14



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AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board Trustees
Saddle River Board of Education
Saddle River, 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 River Board of Education in the County of Bergen as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated February 4, 2021.

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

Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
February 4, 2021

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 of the statistical section in the district's Comprehensive Annual Financial Report (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>
Stefanie Kuchar	Business Administrator/ Board Secretary	\$100,000
Dana Imbasciani	Treasurer of School Monies	180,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company of America covering all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to signatures, certification or supporting documentation.

Finding – Our audit revealed that in certain instances the purchase order did not contain a receipt of goods signature.

Recommendation – All purchase orders contain a receipt of goods/services certification prior to payment.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account

The net salaries of all employees of the Board was deposited in the Payroll Account. Employees' payroll deductions and employer's share of payroll taxes were deposited in the Payroll Agency Account

Finding – Payroll registers were not signed by the Board President, Superintendent and Board Secretary/Business Administrator.

Recommendation – All payrolls be submitted for approval by the Superintendent, Board President and the Board Secretary/Business Administrator.

Finding – The District does not properly maintain a payroll deduction ledger.

Recommendation – Payroll agency deduction ledger be maintained and reconciled on a monthly basis.

Finding – Third quarter 2019 Federal tax filing Form 941 was not available for audit.

Recommendation – The quarterly IRS Forms 941 be retained and made available for audit.

Finding – The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent and business administrator) to the NJ Department of Treasury was not filed.

Recommendation – It is recommended that the required certification (E-CERT1) for compensation related to certain administrators be filed annually with the state by the School Business Administrator.

The Board has implemented and maintains a personnel 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 proper classification of orders as reserve for encumbrances and accounts payable and it was determined that no blanket purchase orders were included in the balance of the year end 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.

Finding (CAFR Finding 2020-001) – Our audit of year end open purchase orders in the General Fund revealed certain purchase orders were not reviewed at year end for validity. We noted certain encumbrances which we deemed invalid at year end.

Recommendation – Procedures be revised to ensure open purchase orders are reviewed at year end for validity and invalid orders be cancelled accordingly.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Planning, Accounting and Reporting (Continued)

Travel

The Board of Education has adopted a travel policy that complies with N.J.S.A. 18A:11-12.

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. No exceptions were noted regarding the account classification of our expenditures. 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.

Board Secretary's Records

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

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

The prescribed contractual order system was followed. Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Finding – A detailed bills list was not part of the official Board meeting minutes.

Recommendation – Bills lists be submitted to the Board for approval on a monthly basis and be made part of the official minutes.

Finding – Our audit revealed 2 instances where terminated employees remained on Dental coverage.

Recommendation – Controls be enhanced to ensure terminated employees are removed from Dental coverage in a timely manner.

Finding – Our audit revealed 2 instances where employee withholding for benefit contributions did not agree with Chap. 78 requirements.

Recommendation – Health benefit contributions be reviewed and revised for those employees who are not in compliance with Chap. 78 requirements.

Finding – The District's fixed asset report has not been updated to reflect recent capital assets additions.

Recommendation – The District's fixed asset report be updated.

Treasurer's Records

The Treasurer performed cash reconciliations in accordance with N.J.S.A. 18A:17-9.

Finding (CAFR Finding 2020-002 and 2020-003) – Our audit of the bank reconciliations of the Board's accounts revealed the reconciliations were not being done timely and contained invalid and/or material reconciling items.

Recommendation – Bank reconciliations be prepared on a monthly basis and all reconciling items be reviewed and cleared of record.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Financial Planning, Accounting and Reporting (Continued)

Treasurer's Records (Continued)

Finding – Our audit revealed the April tax levy receipt of \$733,743 was lost and eventually replaced and deposited in July 2020.

Recommendation – Tax levy receipts be deposited in the general operating account on a timely basis.

All cash receipts were promptly deposited.

The Treasurers cash balances were in agreement with the cash balances 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 section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title II and IV of the Elementary and Secondary Education Act as amended.

Our examination 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 Exhibit K-3 and Exhibit K-4 located in the CAFR.

Our examination 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.

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

There were no TPAF employees' pensionable wages paid from federal funds during the current year. Therefore, there were no reimbursement amounts due to the state at June 30, 2019.

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the State by the due date.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contract 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 Board 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.

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

Food Service Fund

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The District contracts with Maschio's Food Services, Inc., a food service management company (FSMC), to operate and manage its food service program for 2019/2020. 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. 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 break even. The operating results provision has been met.

The District does not participate in the School Nutrition Program.

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 disbursement 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.

Exhibits reflecting food service operations are included in the section entitled Enterprise Funds.

**SADDLE RIVER BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Student Activity Accounts

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

Finding – A detail receipt ledger was not maintained for student activity monied collected.

Recommendation – A detail receipt ledger be maintained for all monies collected.

Finding – There was no supporting documentation for expenditures made in the student activity account.

Recommendation – Supporting documentation be retained and made available for all expenditures.

Application for State School Aid

Our audit procedures included a test information reported in the October 15, 2019 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent. The district has adequate written procedures for the recording of student enrollment data.

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 exceptions as noted below. The information on the DRTRS was unable to be verified. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts.

**SADDLE RIVER BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MILK SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SCHEDULE OF MILK COUNT ACTIVITY

NOT APPLICABLE

**SADDLE RIVER BOARD OF EDUCATION
FOOD SERVICE FUND
NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

SCHEDULE OF NET CASH RESOURCES

NOT APPLICABLE

SADDLE RIVER BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)
 SCHEDULE OF AUDITED ENROLLMENTS
 OCTOBER 15, 2019

	2020-21 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 Register 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 - 3 years	4		4					4		4							
Full Day Preschool - 3 years	3		3					3		3							
Half Day Preschool - 4 years	3		3					3		3							
Full Day Preschool - 4 years	7		7					7		7							
Half Day Kindergarten																	
Full Day Kindergarten	13		13					13		13							
1st Grade	20		20					20		20							
2nd Grade	23		23					23		23							
3rd Grade	16		16					16		16							
4th Grade	25		25					25		25							
5th Grade	20		20					20		20							
6th Grade																	
7th Grade																	
8th Grade																	
9th Grade																	
10th Grade																	
11th Grade																	
13th Grade																	
Subtotal	134	-	134	-	-	-	-	134	-	134	-	-	-	-	-	-	-
Spec Ed - Elementary	14		14					14		14			1	1	1		
Spec Ed - Middle School													1	1	1		
Spec Ed - High School													1	1	1		-
Subtotal	14	-	14	-	-	-	-	14	-	14	-	-	3	3	3	-	-
Totals	148	-	148	-	-	-	-	148	-	148	-	-	3	3	3	-	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>							<u>0.00%</u>	<u>0.00%</u>		<u>0.00%</u>	

**SADDLE RIVER BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2019**

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)												
Half Day Pre-School (4 Yrs)												
Half Day Kindergarten												
Full Day Kindergarten												
1st Grade												
2nd Grade	2	2		2	2							
3rd Grade												
4th Grade												
5th Grade												
6th Grade												
7th Grade												
8th Grade												
9th Grade												
10th Grade												
11th Grade												
13th Grade												
Subtotal	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Spec Ed - Elementary												
Spec Ed - Middle School												
Spec Ed - High School												
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>-</u></u>	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Percentage Error		<u><u>N/A</u></u>			<u><u>N/A</u></u>			<u><u>N/A</u></u>		<u><u>N/A</u></u>		<u><u>N/A</u></u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	211	211	-	35	35	-
Transported - Non-Public	18	18	-	3	3	-
ALL Non Public	70	70	-	12	12	-
Regular - Spec.	33	33	-	5	5	-
Special Needs - Public	6	6	-	1	1	-
Totals	<u><u>338</u></u>	<u><u>338</u></u>	<u><u>-</u></u>	<u><u>56</u></u>	<u><u>56</u></u>	<u><u>-</u></u>
		<u><u>0.00%</u></u>			<u><u>0.00%</u></u>	

**SADDLE RIVER BOARD OF EDUCATION
 APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)
 SCHEDULE OF AUDITED ENROLLMENTS
 OCTOBER 15, 2019**

	LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten						
Full Day Kindergarten						
1st Grade						
2nd Grade						
3rd Grade						
4th Grade						
5th Grade						
6th Grade						
7th Grade						
8th Grade						
9th Grade						
10th Grade						
11th Grade						
13th Grade						
Subtotal	-	-	-	-	-	-
Spec Ed - Elementary						
Spec Ed - Middle School						
Spec Ed - High School						
Subtotal	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error		<u>N/A</u>			<u>N/A</u>	

**SADDLE RIVER BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (REVISED)**

SECTION 1A - Two Percent (2%) - Calculation of Excess Surplus

2019-2020 Total General Fund Expenditures per the CAFR	\$ 9,354,442
Decreased by:	
On-Behalf TPAF Pension & Social Security	646,474
Adjusted 2019-2020 General Fund Expenditures	\$ 8,707,968
2% of Adjusted 2019-2020 General Fund Expenditures	\$ 174,159
Enter Greater of 2% of Adjusted 2019-2020 General Fund Expenditures or \$250,000	\$ 250,000
Increased by: Allowable Adjustments	10,422
Maximum Unassigned Fund Balance	\$ 260,422

SECTION 2

Total General Fund - Fund Balance at June 30, 2020 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 2,569,643
Decreased by:	
Year End Encumbrances	\$ 347,149
Restricted-Excess Surplus-Designated for Subsequent Year's Expenditures	405,218
Other Restricted Fund Balance - Capital Reserve	819,860
Emergency Reserve	100,000
Maintenance Reserve	100,000
Tuition Reserve	100,000
Assigned Fund Balance-Designated for Subsequent Year's Expenditures	32,940
	1,905,167
Total Unassigned Fund Balance	\$ 664,476

SECTION 3

Restricted Fund Balance - Excess Surplus	\$ 404,054
<u>Recapitulation of Excess Surplus as of June 30, 2020</u>	
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures	\$ 405,218
Reserved Excess Surplus	404,054
Total Excess Surplus	\$ 809,272

Allowable Adjustments

Unbudgeted Extraordinary Aid	\$ 8,442
Nonpublic Transportation Aid	1,980
	\$ 10,422

**SADDLE RIVER BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

- * 1. All purchase orders contain a receipt of goods/services certification prior to payment.
- * 2. All payrolls be submitted for approval by the Superintendent, Board President and the Board Secretary/Business Administrator.
- * 3. Payroll agency deduction ledger be maintained and reconciled on a monthly basis.
- * 4. The quarterly IRS Forms 941 be retained and made available for audit.
- 5. The required certification (ECERT1) for compensation related to certain administrators be file annually with the state by the School Business Administrator.
- * 6. Bills lists be submitted to the Board for approval on a monthly basis and be made part of the official minutes.
- * 7. Bank reconciliations be prepared timely on a monthly basis and all reconciling items be reviewed and cleared of record.
- 8. Tax levy receipts be deposited in the general operating account on a timely basis.
- 9. Controls be enhanced to ensure terminated employees are removed from Dental coverage in a timely manner.
- 10. Health benefit contributions be reviewed and revised for those employees who are not in compliance with Chap. 78 requirements.

III. School Purchasing Program

It is recommended that procedures be revised to ensure open purchase orders are reviewed at year end for validity and invalid orders be cancelled accordingly.

IV. School Food Services

There are none.

V. Student Body Activities

It is recommended that:

1. A detail receipt ledger be maintained for all monies collected.
2. Supporting documentation be retained and made available for all expenditures.

**SADDLE RIVER BOARD OF EDUCATION
RECOMMENDATIONS**

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

It is recommended that the District's fixed asset report be updated.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior year's recommendations. Corrective action was taken on the prior year recommendations except the item denoted with an asterisk (*).

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



Dieter P. Lerch
Certified Public Accountant
Public School Accountant