

Auditor's Management Report

for the

*City of Rahway
School District*

in the

*County of Union
New Jersey*

for the

*Fiscal Year Ended
June 30, 2023*

**AUDITOR'S MANAGEMENT REPORT OF ADMINISTRATIVE
FINDINGS-FINANCIAL AND COMPLIANCE**

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
City of Rahway School District
County of Union
Rahway, New Jersey 07065

We have audited, in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Rahway School District in the County of Union for the year ended June 30, 2023 and have issued our report dated February 8, 2024.

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

This report is intended solely for the information of the City of Rahway School District, County of Union, New Jersey and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

CERTIFIED PUBLIC ACCOUNTANTS

PUBLIC SCHOOL ACCOUNTANT NO. 948

February 8, 2024

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

SCOPE OF AUDIT

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Roselle Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

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

Insurance coverage was carried in the amounts as detailed in the District's ACFR (See Exhibit "J-20").

Official Bonds

<u>NAME</u>	<u>POSITION</u>	<u>AMOUNT OF BONDS</u>
Stephen Fried	School Business Administrator	\$400,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Insurance covering all other employees with coverage of \$250,000.00.

Adequacy of insurance coverage is the responsibility of the Board of Education.

P.L. 2020, c.44

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A 18A:16-13.3 (Chapter 44) submitted for the fiscal year of audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted did include all health benefit plans offered by the school district. The school district data certification was completed by the chief school administrator and was submitted timely.

Financial Planning, Accounting and Reporting

Examination of Claims

Our audit of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

Financial Planning, Accounting and Reporting (Continued)

Payroll Accounts

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

All payrolls tested were approved by the Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies including health benefits premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board with a warrant made to his order for the full amount of each payroll.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

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 the test the propriety of expenditure classification.

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

Board Secretary's Records

The records maintained by the Board Secretary were in agreement with the records maintained by the Treasurer.

2023-001 Finding: The District receives two monthly payments from the City for its taxes. We noted that the District did not receive its second payment for its taxes for the month of October. Subsequent to the balance sheet date, the City paid the District its share of the taxes.

2023-001 Recommendation: That the District review its accounting records and ensure that all payments from the City be collected in a timely manner.

2023-002 Finding: We noted that the County Special Services Tuition and the Community of the Blind state aid deductions were not recorded as a revenue and expense on the District's accounting records. The Financial Statements were adjusted to properly reflect the revenues and expenses related to the state aid deductions.

2023-002 Recommendation: That the District record all state aid deductions on its accounting records.

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 ACFR. This section of the ACFR documents the financial position pertaining to the projects under Title I and Title VI of the Elementary and Secondary Education Act as amended and reauthorized.

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 ACFR.

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 ACFR. This section of the ACFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the semi-monthly reimbursement filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

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 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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 therefor, except as is provided otherwise in this chapter or specifically by any other law.

The Board of Education may, by resolution, approve by the majority of the board of education and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the board of education finds that it has had negative prior experience with the bidder."

Effective July 1, 2021, the bid threshold in accordance with N.J.S.A. 18A:18A-3(a) and (c) is \$32,000.00. In accordance with N.J.S.A. 40A:11-9 (b) the bid threshold for all purchases made by the District's qualified purchasing agent is \$44,000.00. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18:39-3 is currently \$20,200.00.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or 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 provisions of N.J.S.A. 18A:18A-4.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 the district made purchases through the use of state contracts.

School Food Service

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 all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

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 students during the emergency.

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the school food authority (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 or indirect costs. There were no exceptions noted.

We inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations. We also inquired if the FSMC received a loan in accordance with the payroll protection plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

School Food Service (Continued)

Provisions of the FSMC cost reimbursable fixed price or non-competitive emergency procurement contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return an operating profit of at least \$50,000.00. The operating provision has been met. 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.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

2023-003 Finding: Net cash resources exceeded three months average expenditures.

2023-003 Recommendation: Appropriate action be taken to ensure that net cash resources of the Food Service Fund do not exceed (3) months average expenditures.

Student Body Activities

Our review of the student activity funds disclosed the following findings:

2023-004 Finding: Our examination of the District's student activity funds revealed that the bank reconciliation for the Middle School Account contained several deposits in transit and outstanding checks in excess of one year old.

2023-004 Recommendation: Internal Controls over the maintenance and utilization of the Student Activity funds be reviewed and enhanced.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2022 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 without 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 had written procedures for the recording of student enrollment.

**Independent Auditor's Management Report of Administrative
Findings - Financial and Compliance**

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2022-2023 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. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Capital Assets and Facilities

Our procedures included a review of the SDA grant agreements for consistency with recording of SDA revenue, transfer of local funds from the general or capital reserve account, and awarding of contracts for eligible facilities construction.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to 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'S FINDINGS

Prior year findings were corrected with the exception of items marked with "*" on the last page.

CITY OF RAHWAY SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE	(OVER) UNDER CLAIM
High Rate							
National School Lunch	Free	233,399	233,399	233,399	0	4.35	0.00
National School Lunch	Reduced	46,177	46,177	46,177	0	3.95	0.00
National School Lunch	Paid	155,667	155,667	155,667	0	0.79	0.00
	TOTAL	<u>435,243</u>	<u>435,243</u>	<u>435,243</u>			<u>0.00</u>
National School Lunch	HHFKA	<u>435,243</u>	<u>435,243</u>	<u>435,243</u>	0	0.08	0.00
Severe Need Rates							
School Breakfast	Free	49,056	49,056	49,056	0	2.67	0.00
School Breakfast	Reduced	9,723	9,723	9,723	0	2.37	0.00
School Breakfast	Paid	23,860	23,860	23,860	0	0.50	0.00
	TOTAL	<u>82,639</u>	<u>82,639</u>	<u>82,639</u>			<u>0.00</u>
Total Net Overclaim (Underclaim)							<u>0.00</u>

**CITY OF RAHWAY SCHOOL DISTRICT
NET CASH RESOURCE SCHEDULE - FOOD SERVICE
2022-2023**

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$886,263.23
B-4		Due from Other Gov'ts	115,825.84
B-4		Accounts Receivable	137,064.52
CAFR		Current Liabilities	
B-4		Less Accounts Payable	31,753.21
B-4		Less Due to Other Funds	22,267.53
B-4		Less Unearned Revenue	<u>36,329.21</u>
		Net Cash Resources	<u>\$1,229,503.54</u> (A)
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	\$2,723,343.06
B-5		Less Depreciation	<u>(38,935.00)</u>
		Adj. Tot. Oper. Exp.	<u>\$2,684,408.06</u> (B)
<u>Average Monthly Operating Expense:</u>			
		B / 10	<u>\$268,440.81</u> (C)
<u>Three times monthly Average:</u>			
		3 X C	<u>\$805,322.42</u> (D)

TOTAL IN BOX A	<u>\$1,229,503.54</u>	
LESS TOTAL IN BOX D	<u>(\$805,322.42)</u>	
NET	<u><u>\$424,181.12</u></u>	
<p>A is greater than D, cash exceeds 3 X average monthly operating expenses. D is greater than A, cash does not exceed 3 X average monthly operating expenses.</p>		

RAHWAY BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2022

	2022-23 Application for State School Aid				Sample for Verification				Private School for Handicapped								
	Reported on A.S.S.A. as on Roll	Full	Shared	Errors	Sample Selected from Workpapers	Full	Shared	Registers on Roll	Full	Shared	Registers on Roll	Full	Shared	Errors per Register	Reported on A.S.S.A. as Private Schools	Sample Verification	Sample Errors
Half Day Pre-School	201				14			14									
Full Day Pre-School	255				11			11									
Full Day Kindergarten	239				12			12									
One	243				21			21									
Two	211				23			23									
Three	230				21			21									
Four	211				24			24									
Five	248				16			16									
Six	236				18			18									
Seven	242				19			19									
Eight	265				12			12									
Nine	269	3			14	1		14	1								
Ten	232	7			16	3		16	3								
Eleven	200	12			18	7		18	7								
Twelve	3,282	22			239	11		239	11								
Subtotal																	
SpEd Elementary (PK-6)	286				23			23							19	16	16
SpEd Middle School (7-8)	155				10			10							9	6	6
SpEd High School	201	18			18	2		18	2						23	17	17
Subtotal	642	18			51	2		51	2						51	39	39
Totals	3,924	40			290	13		290	13						51.0	39	39
Percentage															0.00%	0.00%	0.00%

RAHWAY BOARD OF EDUCATION
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 14, 2022

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Pre-School	141	141		15	15		30	30		15	15	
Full Day Kindergarten	138	138		17	17		34	34		12	12	
One	140	140		10	10		29	29		14	14	
Two	116	116		24	24		32	32		13	13	
Three	130	130		21	21		22	22		11	11	
Four	127	127		23	23		14	14		7	7	
Five	140	140		25	25		6	6		5	5	
Six	118	118		13	13		6	6		3	3	
Seven	124	124		20	20		5	5		4	4	
Eight	126	126		11	11		15	15		11	11	
Nine	130	130		21	21		9	9		7	7	
Ten	106.5	106.5		19	19		13	13		10	10	
Eleven	87	87		22	22		6	6		3	3	
Twelve	1623.5	1623.5		241	241		221	221		115	115	
Subtotal	170	170		11	11		20	20		10	10	
SpEd Elementary	98	98		15	15		10	10		5	5	
SpEd Middle School	115.5	115.5		17	17		5	5		3	3	
SpEd High School	383.5	383.5		43	43		35	35		18	18	
Subtotal	2007.0	2007	0.00%	284	284	0.00%	256	256	0.00%	133	133	0.00%
Totals	185	185		65	65		65	65		65	65	
Percentage Error	172	172		50	50		50	50		50	50	
Transportation	12	12		10	10		10	10		10	10	
Reg. Public Schools, col.1	202	202		72	72		72	72		72	72	
Nonpublic - AIL, col.3	571	571		197	197		197	197		197	197	
Reg. - SpEd, col.4	0.00%	0.00%		0.00%	0.00%		0.00%	0.00%		0.00%	0.00%	
Special Ed Spec, col.6	185	185		65	65		65	65		65	65	
Totals	172	172		50	50		50	50		50	50	
Percentage Error	12	12		10	10		10	10		10	10	
Reg. Avg (Mileage) = Regular Including Grade PK students (Part A)	202	202		72	72		72	72		72	72	
Reg. Avg (Mileage) = Regular Excluding Grade PK students (Part B)	571	571		197	197		197	197		197	197	
Spec Avg. = Special Ed with Special Needs	0.00%	0.00%		0.00%	0.00%		0.00%	0.00%		0.00%	0.00%	
Reported	4.8	4.8		4.8	4.8		4.8	4.8		4.8	4.8	
Recalculated	6.1	6.1		6.1	6.1		6.1	6.1		6.1	6.1	

RAHWAY BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 14, 2022

	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	Sample Selected from Workpapers	Verified to Application and Register
Half Day Pre-School				
Full Day Pre-School				
Full Day Kindergarten				
One	10	10	8	8
Two	13	13	9	9
Three	16	16	11	11
Four	8	8	4	4
Five	12	12	10	10
Six	2	2	1	1
Seven	7	7	5	5
Eight	2	2	1	1
Nine	3	3	2	2
Ten	15	15	13	13
Eleven	9	9	7	7
Twelve	19	19	13	13
Subtotal	4	4	2	2
	120	120	86	86
SpEd Elementary	24	24	11	11
SpEd Middle School	2	2	2	2
SpEd High School	2	2	2	2
Subtotal	28	28	15	15
Totals	148	148	101	101
Percentage Error				0.00%

CITY RAHWAY SCHOOL DISTRICT
SCHEDULE OF CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

SECTION 3

Restricted Fund Balance-Excess Surplus	\$ <u>1,800,000.00</u>
<u>Recapitulation of excess surplus as of June 30, 2023</u>	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ <u>1,800,000.00</u>
Reserved Excess Surplus	\$ <u>1,800,000.00</u>
Total Excess Surplus	\$ <u>3,600,000.00</u>
<u>Detail of Allowable Adjustments</u>	
Extraordinary Aid	\$ 297,338.00
Additional Non-Public School Transportation Aid	<u>53,664.00</u>
	\$ <u>351,002.00</u>

Independent Auditor's Management Report of Administrative Findings - Financial and Compliance

Recommendations

1. **Administrative Practices and Procedures**

None

2. **Financial Planning, Accounting and Reporting**

2023-001 Recommendation: The District review its records to make sure that all tax levy payments are received in a timely manner.

2023-002 Recommendation: The District record all state aid deductions on its accounting records.

3. **School Purchasing Program**

None

4. **School Food Service**

***2023-003 Recommendation:** Appropriate action be taken to ensure that net cash resources of the Food Service Fund do not exceed (3) months average expenditures.

5. **Student Body Activities**

***2023-004 Recommendation:** Internal Controls over the maintenance and utilization of the Student Activity funds be reviewed and enhanced.

6. **Application for State School Aid**

None

7. **Pupil Transportation**

None

8. **Capital Assets and Facilities**

None

9. **Miscellaneous**

None

10. **Status of Prior Year's Findings/Recommendations**

Prior year findings were corrected with the exception of items marked with "*" on this page.

