

**NUTLEY BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

**NUTLEY 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's	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	5
Food Service Fund	5-6
Extended Day Program	6
Student Activity, Athletic Association and Scholarship Accounts	6
Application for State School Aid	6
Pupil Transportation	7
Facilities and Capital Assets	7
Miscellaneous	7
Suggestions to Management	7
Schedule of Meal Count Activity	8
Schedule of Net Cash Resources	8
Schedule of Audited Enrollments	9-11
Excess Surplus Calculation	12
Recommendations	13
Acknowledgement	14



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AUDITORS' MANAGEMENT REPORT


Honorable President and
Members of the Board of Trustees
Nutley Board of Education
Nutley, 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 Nutley Board of Education as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 23, 2019

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
January 23, 2019

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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 Exhibit J-20, Schedule of Insurance, as reported in the District's Comprehensive Annual Financial Report (CAFR).

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Karen Yeamans	Board Secretary/School Business Administrator	\$ 3,000
Joanne Wilson	Treasurer of School Monies	325,000

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$50,000.

Tuition Charges

The District has made a comparison of tentative tuition charges with the State certified rates. The Board made proper adjustments to the sending districts in accordance with N.J.A.C. 6A:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

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 fringe benefits were deposited in the Payroll Agency Fund.

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

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Salary withholdings were promptly remitted to the proper agencies, including health benefit premium amounts withheld and due to the General Fund. The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

Finding – A payroll agency ledger by deduction was not currently maintained and reconciled with the monthly bank reconciliations.

Recommendation – A payroll agency ledger by deduction be currently maintained and reconciled with the bank reconciliation on a monthly basis.

The District has implemented and maintains a personal tracking and accounting (Position Control) system.

Reserve for Encumbrances and Accounts Payable

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

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) 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 the New Jersey Administrative Code.

Finding – Our audit noted that expenditures for property and liability insurance were coded to the Group Insurance budget account. The budgeted amount and related expenditures were reclassified to the correct budget account code.

Recommendation – The budget appropriation and expenditures for property and liability insurance be reported in accordance with the Department of Education budget guidelines and chart of accounts.

Board Secretary's Records

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

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

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

Treasurer's Records

The Treasurer performed cash reconciliations in accordance with N.J.S.A. 18A:17-36.

The Treasurers cash balances were in agreement with the cash balances of the Board Secretary.

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

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 projects under Titles I and III of the Elementary and Secondary Education Act as amended and reauthorized.

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.

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

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

Teacher's Pension and Annuity Fund 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 (TPAF). No exceptions were noted.

The amount of the expenditure charged to the current year's Final Reports for all federal awards for the school district to reimburse the State for the TPAF/Social Security 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 and no exceptions were noted.

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 contracts under 18A:39-3 is currently \$19,000. The Board has designated the Business Administrator as the Qualified Purchasing Agent for the District.

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 Board Attorney's opinion should be sought before a commitment is made.

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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 my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that purchases were made through the use of State contracts.

Food Service Fund

The school food service program was not selected as a major federal or state program. However, the program expenditures exceeded \$100,000 in federal support. Accordingly, we inquired of school management as to whether there were any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

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

Cash receipts and bank records were reviewed for timely deposit.

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. 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 return a profit of at least \$91,000. The operating provision was met.

Expenditures were separately recorded as food, labor and other costs. 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. Net cash resources exceeded three months average expenditures.

Finding – Net cash resources exceeded the three month average expenses for the fiscal year ended June 30, 2018.

Recommendation – The District review the operations of its Food Service Enterprise Fund to ensure that the net cash resources do not exceed the three month average expenses.

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Food Service Fund (Continued)

The number of meals claimed for reimbursement was verified against sales and meal count records. Reimbursement vouchers were filed timely.

The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system.

USDA Food Distribution Program food and commodities were received and a single inventory was maintained on a first-in, first-out basis.

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

Exhibits reflecting Child Nutrition Program operations are included in the CAFR on Exhibits B-4, B-5 and B-6.

Extended Day Program

The accounting records are maintained in good condition.

Student Activity, Athletic Association and Scholarship Accounts

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

Finding – The June 30, 2018 bank reconciliation of the High School student activity account was not in agreement with the year-end financial reports.

Recommendation – The High School student activity account be reconciled to the financial records on a monthly basis.

Application for State School Aid

Our audit procedures included a test information reported in the October 13, 2017 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, related services, bilingual students 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 immaterial exceptions noted. The information that was included on the workpapers was verified with immaterial exceptions noted. 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 adequate written procedures for the recording of student enrollment data.

**NUTLEY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2017-2018 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 information on the DRTRS was verified with an immaterial exception noted. 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, and except as previously noted, the district complied with proper bidding procedures and award of contracts.

Facilities and Capital Assets

The district contracts with an independent appraisal company to annually update its capital asset inventory reports.

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-12 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).

Suggestions to Management

- * Consideration be given to integrating the capital asset reporting system with the district's budgetary accounting software.
- * Unexpended local grant funds be reviewed and/or cleared of record.

**NUTLEY BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This Schedule is Not Applicable

**SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Current Assets

Cash and Cash Equivalents	\$ 356,457
Due from Other Governments	15,187
Accounts Receivable	11,463

Current Liabilities

Less Accounts Payable	<u>-</u>
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Net Cash Resources	<u><u>\$ 383,107</u></u>
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Adjusted Total Operating Expenses:

Total Operating Expenses	\$ 940,782
Less Depreciation Expense	<u>(11,990)</u>
Adjusted Total Operating Expenses	<u><u>\$ 928,792</u></u>

Average Monthly Operating Expense:	<u><u>\$ 92,879</u></u>
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Three Times Monthly Average:	<u><u>\$ 278,638</u></u>
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Total Net Cash Resources	\$ 383,107
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Three Times Monthly Average	<u>278,638</u>
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Amount Above Allowable Net Cash Resources	<u><u>\$ 104,469</u></u>
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**NUTLEY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	2018-2019 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on		Sample	
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as		from	
	On Roll	Shared	On Roll	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Private	Work-	Sample	Sample
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	papers	Verified	Errors
Half Day Preschool 3 yrs	10.0		10.0				10.0		10.0							
Half Day Preschool 4 yrs	4.0		4.0				4.0		4.0							
Full Day Kindergarten	286.0		286.0				66.0		66.0							
Grade 1	293.0		293.0				44.0		44.0							
Grade 2	250.0		250.0				45.0		45.0							
Grade 3	261.0		261.0				52.0		52.0							
Grade 4	255.0		255.0				62.0		62.0							
Grade 5	291.0		291.0				80.0		80.0							
Grade 6	223.0		223.0				34.0		34.0							
Grade 7	234.0		234.0				234.0		234.0							
Grade 8	258.0		258.0				258.0		258.0							
Grade 9	256.0		256.0				256.0		256.0							
Grade 10	246.0		246.0				246.0		246.0							
Grade 11	266.0		266.0				266.0		266.0							
Grade 12	263.0		263.0				263.0		263.0							
Subtotal	3,396.0	-	3,396.0	-	-	-	1,920.0	-	1,920.0	-	-	-	-	-	-	-
Special Ed - Elementary	311.0		311.0				103.0		103.0				11.0	9.0	8.0	(1.0)
Special Ed - Middle	165.0		165.0				116.0		116.0				17.0	15.0	14.0	(1.0)
Special Ed - High	188.0		188.0				188.0		188.0				31.0	27.0	27.0	-
Subtotal	664.0	-	664.0	-	-	-	407.0	-	407.0	-	-	-	59.0	51.0	49.0	(2.0)
Totals	4,060.0	-	4,060.0	-	-	-	2,327.0	-	2,327.0	-	-	-	59.0	51.0	49.0	(2.0)
Percentage Error					0.00%	0.00%					0.00%	0.00%				-3.92%

**NUTLEY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident 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 LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Application and Register	Errors
Full Day Kindergarten	30.0	30.0		3.0	3.0		6.0	6.0		5.0	5.0	
Grade 1	41.0	41.0		4.0	4.0		7.0	7.0		6.0	6.0	
Grade 2	35.0	35.0		4.0	4.0		8.0	8.0		7.0	7.0	
Grade 3	33.0	33.0		4.0	3.0	(1.0)						
Grade 4	37.0	37.0		4.0	4.0		3.0	3.0		3.0	3.0	
Grade 5	41.0	41.0		5.0	5.0		4.0	4.0		3.0	3.0	
Grade 6	26.0	26.0		3.0	3.0		1.0	1.0		1.0	1.0	
Grade 7	25.0	25.0		3.0	3.0		4.0	4.0		3.0	3.0	
Grade 8	40.0	40.0		4.0	4.0		5.0	5.0		4.0	4.0	
Grade 9	42.0	42.0		5.0	5.0		3.0	3.0		3.0	2.0	(1.0)
Grade 10	29.0	29.0		3.0	3.0		2.0	2.0		2.0	2.0	
Grade 11	25.0	25.0		3.0	3.0		2.0	2.0		2.0	2.0	
Grade 12	46.0	46.0		5.0	5.0		6.0	6.0		5.0	4.0	(1.0)
Subtotal	450.0	450.0	-	50.0	49.0	(1.0)	51.0	51.0	-	44.0	42.0	(2.0)
Special Ed - Elementary	62.0	62.0		7.0	7.0		3.0	3.0		3.0	3.0	
Special Ed - Middle	31.0	31.0		3.0	3.0							
Special Ed - High	41.0	41.0		4.0	4.0							
Subtotal	134.0	134.0	-	14.0	14.0	-	3.0	3.0	-	3.0	3.0	-
Totals	584.0	584.0	-	64.0	63.0	(1.0)	54.0	54.0	-	47.0	45.0	(2.0)
Percentage Error			0.00%			-1.56%			0.00%			-4.26%

Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified Errors
Regular Public	5.0	5.0		1.0	1.0
Nonpublic Transported					
Regular Special Ed. w/o Special Trans Needs	2.0	2.0		1.0	1.0
Special Ed. with Special Trans Needs	187.0	187.0		47.0	45.0 (2.0)
	194.0	194.0	-	49.0	47.0 (2.0)
Percentage Error			0.00%		-4.08%

**NUTLEY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	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 Worpapers	Sample Verified to Register	Errors
Full Day Kindergarten	3.0	3.0		2.0	2.0	
Grade 1	8.0	8.0		6.0	6.0	
Grade 2	9.0	9.0		7.0	7.0	
Grade 3	5.0	5.0		4.0	4.0	
Grade 4	9.0	9.0		7.0	7.0	
Grade 5	4.0	4.0		3.0	3.0	
Grade 6	1.0	1.0		1.0	1.0	
Grade 7	2.0	2.0		2.0	2.0	
Grade 8	1.0	1.0		1.0	1.0	
Grade 9	5.0	5.0		4.0	4.0	
Grade 10	4.0	4.0		3.0	3.0	
Grade 11	3.0	3.0		2.0	2.0	
Grade 12						
Subtotal	54.0	54.0	-	42.0	42.0	-
Special Ed - Elementary	5.0	5.0		3.0	3.0	
Special Ed - Middle	1.0	1.0		1.0	1.0	
Special Ed - High						
Subtotal	6.0	6.0	-	4.0	4.0	-
Total	60.0	60.0	-	46.0	46.0	-

Percentage Error

0.00%

0.00%

**NUTLEY BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

2017-18 Total General Fund Expenditures reported on Exhibit C-1	\$ 71,935,230
Adjustments	
Less: Capital Lease	(75,880)
Less: On-Behalf TPAF Pension and Social Security	<u>(8,889,887)</u>
Adjusted 2017-18 General Fund Expenditures	<u>\$ 62,969,463</u>
2% of Adjusted 2017-18 General Fund Expenditures	\$ 1,259,389
Allowable Adjustments	
Extraordinary Aid	<u>668,006</u>
Maximum Unreserved/Undesignated Fund Balance	\$ 1,927,395
Total General Fund - Fund Balances at June 30, 2018	
(Per CAFR Budgetary Comparison Schedule - Exhibit C-1)	\$ 8,348,494
Decreased by:	
Encumbrances	(159,378)
Other Restricted Fund Balances - Capital and Maintenance Reserves	(4,510,914)
Excess Surplus - Designated for Subsequent Year's Budget	<u>(875,559)</u>
Total Unassigned Fund Balance	<u>2,802,643</u>
Excess Surplus	<u>\$ 875,248</u>
<u>Recapitulation of Excess Surplus at June 30, 2018</u>	
Restricted Fund Balance	
Excess Surplus	\$ 875,248
Excess Surplus Designated for Subsequent Year's Budget	<u>875,559</u>
	<u>\$ 1,750,807</u>

NUTLEY BOARD OF EDUCATION RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. The budget appropriation and expenditures for property and liability insurance be reported in accordance with the Department of Education budget guidelines and chart of accounts.
2. A payroll agency ledger by deduction be currently maintained and reconciled with the bank reconciliation on a monthly basis.

III. School Purchasing Program

There are none.

IV. School Food Services

- * It is recommended that the District review the operations of its Food Service Enterprise Fund to ensure that the net cash resources do not exceed the three month average expenses.

V. Extended Day Program

There are none.

VI. Student Activity and Athletic Association Accounts

It is recommended that the High School student activity account be reconciled to the financial records on a monthly basis.

VII. Application for State School Aid

There are none.

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all except the recommendation denoted with an asterisk (*).

**NUTLEY BOARD OF EDUCATION
RECOMMENDATIONS**

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



Gary J. Vinci
Certified Public Accountant
Public School Accountant