

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
COUNTY OF BERGEN  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
COUNTY OF BERGEN  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017  
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November 3, 2017

The Honorable President and Members  
of the Board of Education  
Borough of Hillsdale School District  
County of Bergen, NJ


We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Board of Education of the Borough of Hillsdale School District in the County of Bergen for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 3, 2017.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents. This letter does not affect our report dated November 3, 2017, on the financial statements of the Board.

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

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

  
NISIVOCCIA LLP

  
Francis Jones  
Licensed Public School Accountant #1154  
Certified Public Accountant

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017

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

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

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Kelly Ippolito	Treasurer of School Monies	\$ 225,000
Lirca R. Garcia	Board Secretary/School Business Administrator	225,000

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

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

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

Salary withholdings were promptly remitted to the proper agencies including health benefit withholding due to the General Fund.

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017  
(Continued)

Financial Planning, Accounting and Reporting (Cont'd)

Reserve for Encumbrances and Accounts Payable

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

Classification of Expenditures

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. 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-8.2. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

Treasurer's Records

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

During our review of the Treasurers report compared to the bank reconciliations we noted a minor difference in comparison of the two reports. The treasurer is in process of investigating the small discrepancies.

No Child Left Behind (N.C.L.B.)

The N.C.L.B. financial exhibits are contained herein within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I and Title II of the No Child Left Behind Act.

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.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017  
(Continued)

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for District employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

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

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2017. The reimbursement form was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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

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

b. Commencing in the fifth year after the year in which P.L. 2001, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made . . . ."

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

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and N.J.S.A. 18A:18A-3(a) (as amended) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017  
(Continued)

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

Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

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

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

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies", in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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

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

School Food Service

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

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

Student Body Activities

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

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017  
(Continued)

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low income and bilingual students. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District workpapers with minor exceptions. The information that was included on the workpapers was verified on a test basis. 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's written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2016-2017 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 services.

Facilities and Capital Assets

The District does not currently have any active construction projects which involve Schools Development Authority ("SDA") grant agreements, transfer of local funds from the General Fund or from the Capital Reserve Account, or contracts for eligible facilities construction.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal travel policy and procedure pertaining to travel expenses and reimbursements for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to account for these expenses within a separate account in the budget to ensure that the maximum is not exceeded. The regulations also require that all travel be approved by the Board prior to the event and that the approval list the event, total event cost and the individuals attending. Employees and board members attending an event are then required to complete a post event report to be submitted to a designated person within the District.

Our review of the travel policies and records on a test basis revealed that the District is in general compliance with the travel regulations.



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
YEAR ENDED JUNE 30, 2017  
(Continued)

Management Suggestions:

Governmental Accounting Standards Board Statements

The next Governmental Accounting Standards Board (“GASB”) statement which will have a significant impact on the District will be GASB#75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB#45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the New Jersey Division of Pensions.

Student Activities

It has recently been determined that School District personnel may not be completely aware of the limitations and restrictions on the use of Student Activity Funds. We believe it is important that the District be aware that any pupil organization which is part of the activity program of the School District, places at least indirect responsibility for supervision and control of that organization with the Board of Education. We suggest that the Board formally approve each school club or activity. As directed by the New Jersey Department of Education, collections related to fund raising for outside organizations should not be maintained in the District’s Student Activity Funds.

Additionally, the District should ensure that District-wide standard policies and procedures are implemented for all Student Activity Funds. These policies should indicate the student activities funds are to be utilized for the benefit of the student activity or club and not to be utilized for enhancement of instructional programs or school facilities. The District should at least at a minimum communicate to school personnel on an annual basis the District’s policies and procedures regarding Student Activity Funds. We suggest that these policies include guidance regarding timely deposits of funds and the safeguarding of funds prior to deposit as well as the appropriate purchasing guidelines for student activities disbursements.

Status of Prior Year's Findings/Recommendations

There were no audit findings in the prior year.

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016

	2017-2018 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Sample		Verified per		Errors per	
	On Roll	Shared	On Roll	Shared	Full	Shared	Full	Shared	On Roll	Shared	Full	Shared
Full Day Preschool-3 years	2		2				2		2			
Full Day Preschool-4 years	12		12				12		12			
Half Day Kindergarten	112		112				112		112			
Grade One	94		94				94		94			
Grade Two	90		90				90		90			
Grade Three	102		102				102		102			
Grade Four	94		94				94		94			
Grade Five	96		96				96		96			
Grade Six	112		112				112		112			
Grade Seven	120		120				120		120			
Grade Eight	130		130				130		130			
Subtotal	964		964				964		964			
Special Ed - Elementary School	132		128		4		13		13			
Special Ed - Middle School	96		92		4		10		10			
Subtotal	228		220		8		23		23			
Totals	1,192		1,184		8		987		987			-0-
Percentage Error					0.67%		0.00%		0.00%			0.00%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016

	Private Schools for Handicapped				Low Income				
	Reported on ASSA as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten									
Grade One					6	6	1	1	
Grade Two					4	4			
Grade Three					4	4			
Grade Four					5	5	1	1	
Grade Five					4	4			
Grade Six					4	4			
Grade Seven					7	7	1	1	
Grade Eight					3	3			
Subtotal					5	5	1	1	
					42	42	4	4	
Special Ed - Elementary School	3	1	1		19	19	2	2	
Special Ed - Middle School	1	1	1		20	19	2	2	
Subtotal	4	2	2		39	38	4	4	
Totals	4	2	2		81	80	8	8	
Percentage Error									0.00 %
									1.23 %
									0.00 %

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016

	Resident LEP not Low Income			Sample for Verification		
	Reported on ASSA as LEP not Low Income	Reported on Workpapers as LEP not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Full Day Kindergarten	5	5		2	2	
Grade Two	2	1	1			
Grade Four	1	1		1	1	
Grade Five	1	1				
Grade Six	1	1				
Totals	10	9	1	3	3	-0-
Percentage Error			10.00%			0.00%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016

	Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores Application & Register	Sample Errors
Full Day Kindergarten	6	6		2	2	
Grade One	3	3				
Grade Three	3	3				
Subtotal	12	12		2	2	
Special Education:						
Elementary School	3	3		2	2	
Subtotal	3	3		2	2	
Totals	15	15	0	4	4	0
Percentage Error			0.00%			0.00%

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 14, 2016

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	55	55		6	6	
Regular - Special Education	11	11		3	3	
Transported - Non Public	0	0		0	0	
ALL - Non Public	32	32		5	5	
Special Needs - Public	15	15		3	3	
Special Needs - Private	10	10		2	2	
<b>Totals</b>	<u>123</u>	<u>123</u>	<u>-0-</u>	<u>19</u>	<u>19</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	<u>Reported</u>	<u>Re-calculated</u>
Average Mileage - Regular Including Grade PK Students	3.3	3.3
Average Mileage - Regular Excluding Grade PK Students	3.3	3.3
Average Mileage - Special Education with Special Needs	3.9	3.9

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
YEAR ENDED JUNE 30, 2017

**REGULAR DISTRICT**

**SECTION 1**

**2% Calculation of Excess Surplus**

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 23,439,622</u> (B)
Increased by:	
Transfer to Food Service Fund	<u>\$ -0-</u> (B1a)
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ -0-</u> (B1b)
Transfer to Student Activity Agency Fund	<u>\$ -0-</u> (B1d)
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>\$ 2,630,718</u> (B2a)
Assets Acquired Under Capital Leases	<u>\$ -0-</u> (B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 20,808,904</u> (B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	<u>\$ 416,178</u> (B4)
Enter Greater of (B4) or \$250,000	<u>\$ 416,178</u> (B5)
Increased by: Allowable Adjustments	<u>\$ 5,568</u> (K)
Maximum Unassigned Fund Balance [(B5)+(K)]	<u>\$ 421,746</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/17 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 3,603,488</u> (C)
Decreased by:	
Assigned for Encumbrances	<u>\$ 550,517</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$</u> (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 691,091</u> (C3)
Other Restricted Fund Balance	<u>\$ 959,266</u> (C4)
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ 384,248</u> (C5)
Additional Assigned Fund Balance - Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	<u>\$ -0-</u> (C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 1,018,366</u> (U1)

BOROUGH OF HILLSDALE SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
YEAR ENDED JUNE 30, 2017  
(Continued)

**SECTION 3**

Restricted Fund Balance - Excess Surplus [(U1)-(M)] IF NEGATIVE, ENTER -0- \$ 596,620 (E)

**Recapitulation of Excess Surplus as of June 30, 2017**

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures \$ 691,091 (C3)

Restricted Excess Surplus [(E)] \$ 596,620 (E)

Total [(C3)+(E)] \$1,287,711 (D)

**Detail of Allowable Adjustments**

Impact Aid \$ -0- (H)

Sale & Lease-back \$ -0- (I)

Extraordinary Aid \$ -0- (J1)

Additional Nonpublic School Transportation Aid \$ 5,568 (J2)

Total Adjustments [(H)+(I)+(J1)+(J2)] \$ 5,568 (K)

**Detail of Other Reserved Fund Balance**

Statutory Restrictions:

Approved Unspent Separate Proposal \$ -0-

Sale/Lease-back Reserve \$ -0-

Capital Reserve \$ 959,266

Emergency Reserve \$ -0-

Maintenance Reserve \$ -0-

Tuition Reserve \$ -0-

Other State/Government Mandated Reserve \$ -0-

[Other Restricted Fund Balance Not Noted Above] \$ -0-



BOROUGH OF HILLSDALE SCHOOL DISTRICT  
SUMMARY OF RECOMMENDATIONS  
YEAR ENDED JUNE 30, 2017

It is recommended that:

1. Administrative Practices and Procedures  
None
2. Financial Planning, Accounting and Reporting  
None
3. School Purchasing Program  
None
4. School Food Service  
None
5. Student Body Activities  
None
6. Application for State School Aid  
None
7. Pupil Transportation  
None
8. Facilities and Capital Assets  
None
9. Status of Prior Year's Findings/Recommendations  
None