

**HILLSIDE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

**HILLSIDE BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Trustees
Hillside Board of Education
Hillside, 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 Hillside Board of Education as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 5, 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

Paul J. Lerch
Public School Accountant
PS Number CS01118

Fair Lawn, New Jersey
December 5, 2019

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary and the Chief School Administrator, and 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 contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. David Eichehultz	School Business Administrator/ Board Secretary	\$50,000

There is a Public Employees' Dishonesty Insurance Coverage covering all other employees with \$50,000 each person/\$500,000 per loss.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were more in certain instances and less in certain instances. The Board made adjustments to the billings to the sending districts accordingly.

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 each of signature certification and proper itemization.

Payroll Account

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

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

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding 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 – The audit disclosed that pension withholdings due to retro salary payments for 2018/19 as well as prior years have not been remitted to the State.

Recommendation – All pension withholdings be remitted to the State.

Finding – The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators to the New Jersey Department of Treasury was not filed by the March 15, 2019 due date.

Recommendation – The District file the required certification (E-CERT1) by the required due date.

The Board has implemented and maintains a personnel tracking and accounting (Position Control) system.

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

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:23-8.3. As a result of the procedures performed no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

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

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

Bids were summarized in the minutes of the Board Secretary.

The prescribed contractual order system was followed.

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 Trust/Fiduciary Fund.

Elementary and Secondary School 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, II, III, and IV of the Elementary and Secondary Education Act.

Our examination 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.

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

Finding – Our audit noted that certain grant completion and final expenditure reports were not in agreement with the District's financial records.

Recommendation – Internal control procedures be reviewed and enhanced to ensure that grant completion and final expenditure reports are in agreement with the District's financial records.

I.D.E.A Part B

Separate accounting was maintained for each approved project.

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Financial Planning, Accounting and Reporting (Continued)

Nonpublic State Aid

Project completion reports were finalized and transmitted to the Department by the due date.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly 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 amount of expenditures charged to the current year's Final Reports for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) 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 student transportation contracts under 18A:39-3 is currently \$19,000 the Board has appointed the Business Administrator/Board Secretary as the District's qualified purchasing agent and subsequently increased the bid threshold to \$40,000.

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.

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

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

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

Finding – Our audit noted three instances where professional service contract awards for legal services were not publicly advertised as required by the Public School Contracts Law (N.J.S.A. 18A:18A-5(a)(1)).

Recommendation – Procedures be enhanced to ensure all professional service contract awards are publicly advertised as required by N.J.S.A. 18A:18A-5(a)(1).

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.

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Food Service Fund

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications 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 \$250,000. The operating results provision has been met.

The number of meals claimed for reimbursement was verified against meal count records with no exceptions noted. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications was completed and available for review.

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.

Finding – The audit disclosed that net cash resources exceeded three months average expenditures.

Recommendation – Steps be taken to ensure that net cash resources do not exceed three months average expenditures.

Food Distribution Program commodities were received and a separate inventory were maintained on a first-in, first-out basis.

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

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

Finding – The District had an Administrative Review of the National School Lunch Program. The review disclosed four findings related to serving procedures. A corrective action plan was prepared by the District and approved by the State.

Student Body Activities/Athletic Activities

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

Cash receipts and disbursement records were maintained in good condition.

Supporting documentation was maintained for all cash disbursements tested.

Finding – Our audit noted that the High School Activity Account was requiring students to pay for activities only by cash.

Recommendation – The High School Student Activity Account discontinue its requirement for students to pay for activities by cash.

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, related services 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 without exception. The information that was included on the workpapers was verified with isolated 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 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 minor exceptions. 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

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

The Capital Asset records were updated for the additions and disposals of capital assets made during the year.

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The school district submitted the annual Statement of Assurance to the Department of Education pursuant to N.J.A.C. 6A:26-12.4(g).

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings.

**HILLSIDE BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals/Milks Category</u>	<u>Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Amount</u>
National School Lunch							
(Regular Rate)	Paid	64,949	64,949	64,946	3	\$ 0.36	\$ 1.08
	Reduced	25,311	25,311	25,311			
	Free	<u>190,589</u>	<u>190,589</u>	<u>190,587</u>	<u>2</u>	\$ 3.425	\$ 6.85
	Total Lunch	<u>280,849</u>	<u>280,849</u>	<u>280,844</u>	<u>5</u>		<u>\$ 7.93</u>
National School Breakfast							
(Regular Rate)	Paid	66,364	66,364	66,364			
	Reduced	18,487	18,487	18,487			
	Free	<u>111,790</u>	<u>111,790</u>	<u>111,787</u>	<u>3</u>	\$ 1.79	\$ 5.37
	Total Breakfast	<u>196,641</u>	<u>196,641</u>	<u>196,638</u>	<u>3</u>		<u>\$ 5.37</u>
	Grand Totals	<u><u>477,490</u></u>	<u><u>477,490</u></u>	<u><u>477,482</u></u>	<u><u>8</u></u>		<u><u>\$ 13.30</u></u>

**HILLSIDE BOARD OF EDUCATION
NET CASH RESOURCE SCHEDULE
COMPARISON OF NET CASH RESOURCES TO THREE
MONTHS AVERAGE EXPENDITURES
FOOD SERVICE ENTERPRISE FUND
AS OF JUNE 30, 2019**

Net Cash Resources:

Current Assets

Cash and Cash Equivalents	\$ 572,768
Due from Other Gov'ts	215,937
Accounts Receivable	27,839

Current Liabilities

Less:

Accounts Payable	(230,853)
Deferred Revenue	<u>(6,551)</u>

Net Cash Resources **\$ 579,140**

Adjusted Total Operating Expense:

Total Operating Expenses	\$ 1,636,589
Less Depreciation	<u>(15,856)</u>

Adjusted Total Operating Expense **\$ 1,620,733**

Average Monthly Operating Expense: **\$ 162,073**

Three Times Monthly Average: **\$ 486,220**

Total Net Cash Resources	\$ 579,140
Three Times Monthly Average	<u>486,220</u>

Net Cash Resources above Three Month Average Expenses **\$ 92,920**

**HILLSIDE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2018**

	2019-20 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					-	-											
Full Day Preschool - 3 years	44		44		-	-	44		44								
Half Day Preschool - 4 years					-	-											
Full Day Preschool - 4 years	152		152		-	-	152		152								
Half Day Kindergarten					-	-											
Full Day Kindergarten	181		181		-	-	181		181								
1st Grade	184		184		-	-	184		184								
2nd Grade	183		183		-	-	183		183								
3rd Grade	187		187		-	-	187		187								
4th Grade	218		218		-	-	218		218								
5th Grade	217		217		-	-	217		217								
6th Grade	210		210		-	-	210		210								
7th Grade	202		202		-	-	202		202								
8th Grade	187		187		-	-	187		187								
9th Grade	159		159		-	-	159		159								
10th Grade	201		201		-	-	201		201								
11th Grade	182	10	182	10	-	-	182	10	182	10	-	-					
12th Grade	164	10	164	10	-	-	164	10	164	10	-	-					
Subtotal	2,671	20	2,671	20	-	-	2,671	20	2,671	20	-	-	-	-	-	-	-
Spec Ed - Elementary	184		184		-	-	74		74				8	7	7		-
Spec Ed - Middle School	87		87		-	-	29		29				3	2	2		-
Spec Ed - High School	108	19	108	19	-	-	108	19	108	19	-	-	15	13	13		-
Subtotal	379	19	379	19	-	-	211	19	211	19	-	-	26	22	22	-	-
Totals	3,050	39	3,050	39	-	-	2,882	39	2,882	39	-	-	26	22	22	-	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>

**HILLSIDE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2018**

	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 Preschool (3 Yrs)			-			-			-			-
Full Day Preschool (3 Yrs)			-			-			-			-
Half Day Preschool (4 Yrs)			-			-			-			-
Full Day Preschool (4 Yrs)			-			-			-			-
Half Day Kindergarten			-			-			-			-
Full Day Kindergarten	104.0	104.0	-	4.0	4.0	-	25.0	25.0	-	6.0	6.0	-
1st Grade	129.0	129.0	-	5.0	5.0	-	18.0	18.0	-	4.0	4.0	-
2nd Grade	133.0	133.0	-	5.0	5.0	-	19.0	19.0	-	4.0	4.0	-
3rd Grade	119.0	119.0	-	4.0	4.0	-	14.0	14.0	-	3.0	3.0	-
4th Grade	144.0	144.0	-	5.0	5.0	-	10.0	10.0	-	2.0	2.0	-
5th Grade	138.0	138.0	-	5.0	5.0	-	7.0	7.0	-	2.0	2.0	-
6th Grade	140.0	140.0	-	5.0	5.0	-	7.0	7.0	-	2.0	2.0	-
7th Grade	142.0	142.0	-	5.0	5.0	-	3.0	3.0	-	1.0	1.0	-
8th Grade	128.0	128.0	-	5.0	5.0	-	5.0	5.0	-	1.0	1.0	-
9th Grade	105.0	105.0	-	4.0	4.0	-	3.0	3.0	-	1.0	1.0	-
10th Grade	142.0	142.0	-	5.0	5.0	-	10.0	10.0	-	2.0	2.0	-
11th Grade	109.5	109.5	-	4.0	4.0	-	11.0	11.0	-	3.0	3.0	-
12th Grade	120.5	120.5	-	4.0	4.0	-	10.0	10.0	-	2.0	2.0	-
Subtotal	1,654.0	1,654.0	-	60.0	60.0	-	142.0	142.0	-	33.0	33.0	-
Spec Ed - Elementary	127.0	127.0	-	5.0	5.0	-	12.0	12.0	-	3.0	3.0	-
Spec Ed - Middle School	70.0	70.0	-	2.0	2.0	-	1.0	1.0	-	-	-	-
Spec Ed - High School	92.0	92.0	-	3.0	3.0	-	1.0	1.0	-	-	-	-
Spec Ed - Alt Voc High			-			-			-			-
Subtotal	289.0	289.0	-	10.0	10.0	-	14.0	14.0	-	3.0	3.0	-
Totals	1,943.0	1,943.0	-	70.0	70.0	-	156.0	156.0	-	36.0	36.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	212	212	-	35	34	1
Transported - Non-Public	-	-	-			-
Regular - Spec.	52	52	-	9	9	-
Special Needs - Public	101	101	-	17	17	-
Totals	365	365	-	61	60	1
			<u>0.00%</u>			<u>1.64%</u>

**HILLSIDE BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2018**

	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 Preschool (3 Yrs)			-			-
Full Day Preschool (3 Yrs)			-			-
Half Day Preschool (4 Yrs)			-			-
Full Day Preschool (4 Yrs)			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	8	8	-	2	2	-
1st Grade	4	4	-	1	1	-
2nd Grade	5	5	-	1	1	-
3rd Grade	3	3	-	1	1	-
4th Grade	8	8	-	2	2	-
5th Grade	2	2	-	1	1	-
6th Grade	3	3	-	1	1	-
7th Grade	4	4	-	1	1	-
8th Grade	1	1	-	1	1	-
9th Grade	4	4	-	1	1	-
10th Grade	6	6	-	1	1	-
11th Grade	3	3	-	1	1	-
12th Grade	1	1	-	1	1	-
Subtotal	52	52	-	15	15	-
Spec Ed - Elementary	6	6	-	1	1	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	1	1	-	1	1	-
Subtotal	7	7	-	2	2	-
Totals	59	59	-	17	17	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**HILLSIDE BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

2018-2019 Total General Fund Expenditures per the CAFR	\$62,065,319
Increased by:	
Transfer to Special Revenue Fund	181,720
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>8,237,836</u>
Adjusted 2018-2019 General Fund Expenditures	<u>\$54,009,203</u>
2% of Adjusted 2018-2019 General Fund Expenditures	\$ 1,080,184
Increased by: Allowable Adjustment	<u>822,275</u>
Maximum Unassigned Fund Balance	<u>\$1,902,459</u>
Total General Fund – Fund Balance at June 30, 2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$8,702,386
Decreased by:	
Assigned/Committed for Encumbrances	1,124,748
Restricted Fund Balances-Capital Reserve	4,335,706
Designated for Subsequent Years Expenditures	405,000
Excess Surplus Designated for Subsequent Years Expenditures	<u>220,000</u>
Total Unassigned Fund Balance for Excess Surplus Calculation	<u>\$2,616,932</u>
Restricted Excess Surplus	<u>\$714,473</u>
<u>Detail for Excess Surplus</u>	
Excess Surplus Designated for Subsequent Year’s Expenditures	\$220,000
Excess Surplus	<u>714,473</u>
	<u>\$934,473</u>
<u>Detail of Allowable Adjustments</u>	
Extraordinary Aid	<u>\$822,275</u>
<u>Detail of Restricted Fund Balances</u>	
Capital Reserve	\$ 3,680,706
Capital Reserve – Designated for Subsequent Year’s Expenditures	<u>655,000</u>
	<u>\$ 4,335,706</u>

**HILLSIDE BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that

- * 1. All pension withholdings be remitted to the State.
- 2. The District file the required certification (E-CERT1) by the required due date.
- 3. Internal control procedures be reviewed and enhanced to ensure that grant completion and final expenditure reports are in agreement with the District's financial records.

III. School Purchasing Program

It is recommended that procedures be enhanced to ensure all professional service contract awards are publicly advertised as required by N.J.S.A. 18A:18A-5(a)(1).

IV. School Food Services

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

V. Student Body Activities/Athletic Activities

- * It is recommended that the High School Student Activity Account discontinue its requirement for students to pay for activities by cash.

VI. Application for State School Aid

There are none.

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

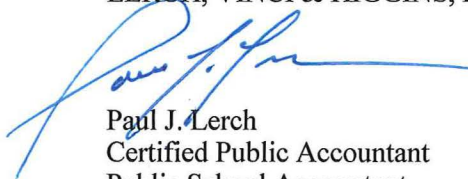
A review was performed on all prior years' recommendations and corrective action was taken on all except the items denoted with an asterisk (*).

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



Paul J. Lerch
Certified Public Accountant
Public School Accountant