

**HILLSIDE BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**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 in the County of Union as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 23, 2015.

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
November 23, 2015

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary 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>
Kenneth Weinheimer	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. Tuition charges were established by the Board of Education and are not subject to adjustment.

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 Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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

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.)/Improving America's Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001

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, and III, 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.

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

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.

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 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.

Nonpublic State Aid

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2011 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. On December 19, 2005 the Board appointed the Business Administrator/Board Secretary as the District's qualified purchasing agent and subsequently increased the bid threshold to \$36,000.

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.

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, 2015**

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 \$225,182. 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. Net cash resources did 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.

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

Student Body 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.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 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 without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

The District had adequate written procedures for the recording of student enrollment data.

**HILLSIDE BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2014-2015 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.

**HILLSIDE BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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	63,940	63,940	63,940			
	Reduced	46,126	46,126	46,126			
	Free	<u>209,750</u>	<u>209,750</u>	<u>209,750</u>			
	Total Lunch	<u>319,816</u>	<u>319,816</u>	<u>319,816</u>			
National School Breakfast							
(Regular Rate)	Paid	27,882	27,882	27,882			
	Reduced	15,956	15,956	15,956			
	Free	<u>87,795</u>	<u>87,795</u>	<u>87,795</u>			
	Total Breakfast	<u>131,633</u>	<u>131,633</u>	<u>131,633</u>			
	Grand Totals	<u><u>451,449</u></u>	<u><u>451,449</u></u>	<u><u>451,449</u></u>			

NET CASH RESOURCE SCHEDULE

Net cash resources did not exceed three months of expenditures
Proprietary Funds - Food Service
FYE 2015

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	118,182
B-4		Due from Other Gov'ts	198,841
B-4		Accounts Receivable	20,036
B-4		Investments	-
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(71,086)
B-4		Less Accruals	-
B-4		Less Due to Other Funds	-
B-4		Less Deferred Revenue	<u>(3,549)</u>
		Net Cash Resources	<u>262,424</u> (A)

Net Adj. Total Operating Expense:

B-5		Tot. Operating Exp.	1,541,980	
B-5		Less Depreciation	<u>(11,286)</u>	
		Adj. Tot. Oper. Exp.	<u>1,530,694</u>	(B)

Average Monthly Operating Expense:

	B / 10	<u>153,069</u>	(C)
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Three times monthly Average:

	3 X C	<u>459,208</u>	(D)
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TOTAL IN BOX A	\$	<u>262,424.00</u>	
LESS TOTAL IN BOX D	\$	<u>459,208.20</u>	
NET	\$	<u>(196,784.20)</u>	
From above:			
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.			

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

**Hillside BOE
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014**

	2014-2015 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 - 4 years	169		169		-	-	169		169							
Full Day Kindergarten	204		204		-	-	204		204							
One	226		226		-	-	226		226							
Two	215		215		-	-	215		215							
Three	202		202		-	-	202		202							
Four	203		203		-	-	203		203							
Five	160		160		-	-	160		160							
Six	204		204		-	-	204		204							
Seven	214		214		-	-	214		214							
Eight	215		215		-	-	215		215							
Nine	216		216		-	-	216		216							
Ten	191		191		-	-	191		191							
Eleven	168	13	168	13	-	-	168	13	168	13	-	-				
Twelve	149	1	149	1	-	-	149	1	149	1	-	-				
Subtotal	2,736	14	2,736	14	-	-	2,736	14	2,736	14	-	-	-	-	-	-
Spec Ed - Elementary	150		150		-	-	97		97		-	-	8	7	7	-
Spec Ed- Middle School	90		90		-	-	62		62		-	-	4	3	3	-
Spec Ed - High School	91	23	91	23	-	-	94	14	94	14	-	-	5	4	4	-
Subtotal	331	23	331	23	-	-	253	14	253	14	-	-	17	14	14	-
Totals	3,067	37	3,067	37	-	-	2,989	28	2,989	28	-	-	17	14	14	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

Hillside BOE
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-			-			-
Full Day Pre-School (4 Yrs)			-			-			-			-
Full Day Kindergarten	121.0	121.0	-	9.0	9.0	-	21.0	21.0	-	7.0	7.0	-
One	160.0	160.0	-	11.0	11.0	-	17.0	17.0	-	6.0	6.0	-
Two	158.0	158.0	-	11.0	11.0	-	20.0	20.0	-	7.0	7.0	-
Three	145.0	145.0	-	10.0	10.0	-	13.0	13.0	-	4.0	4.0	-
Four	140.0	140.0	-	10.0	10.0	-	17.0	17.0	-	6.0	6.0	-
Five	110.0	110.0	-	7.0	7.0	-	3.0	3.0	-	1.0	1.0	-
Six	146.0	146.0	-	11.0	11.0	-	2.0	2.0	-	1.0	1.0	-
Seven	152.0	152.0	-	12.0	12.0	-	2.0	2.0	-	1.0	1.0	-
Eight	148.0	148.0	-	11.0	11.0	-	5.0	5.0	-	1.0	1.0	-
Nine	146.0	146.0	-	5.0	5.0	-	10.0	10.0	-	3.0	3.0	-
Ten	121.0	121.0	-	6.0	6.0	-	2.0	2.0	-	1.0	1.0	-
Eleven	102.0	102.0	-	7.0	7.0	-	10.0	10.0	-	3.0	3.0	-
Twelve	90.0	90.0	-	7.0	7.0	-	1.0	1.0	-	1.0	1.0	-
Subtotal	1,739.0	1,739.0	-	117.0	117.0	-	123.0	123.0	-	42.0	42.0	-
Spec Ed - Elementary	97.0	97.0	-	8.0	8.0	-	14.0	14.0	-	7.0	7.0	-
Spec Ed- Middle School	71.0	71.0	-	4.0	4.0	-	-	-	-	-	-	-
Spec Ed - High School	60.0	60.0	-	4.0	4.0	-	1.0	1.0	-	1.0	1.0	-
	228.0	228.0	-	16.0	16.0	-	15.0	15.0	-	8.0	8.0	-
Totals	1,967.0	1,967.0	-	133.0	133.0	-	138.0	138.0	-	50.0	50.0	-

Percentage Error 0.00% 0.00% 0.00% 0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	231.0	231.0	-	37.0	37.0	-
Regular - Sped.	28.5	28.5	-	4.0	2.0	2.0
Transported- Non- Public			-	-		-
Special Needs- Public	113.5	113.5	-	19.0	17.0	2.0
Totals	373.0	373.0	-	60.0	56.0	4.0

0.00% 6.67%

Hillside BOE
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014

	LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-
Full Day Pre-School (4 Yrs)			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	6	6.0	-	6.0	6.0	-
One	2	2.0	-	2.0	2.0	-
Two	2	2.0	-	3.0	3.0	-
Three	4	4.0	-	4.0	4.0	-
Four	4	4.0	-	3.0	3.0	-
Five	1	1.0	-	1.0	1.0	-
Six	2	2.0	-	2.0	2.0	-
Seven	1	1.0	-	1.0	1.0	-
Eight	3	3.0	-	3.0	3.0	-
Nine	8	8.0	-	8.0	8.0	-
Ten	1	1.0	-	1.0	1.0	-
Eleven	2	2.0	-	2.0	2.0	-
Twelve	1.0	1.0	-	-	-	-
Subtotal	37.0	37.0	-	36.0	36.0	-
Spec Ed - Elementary	4.0	4.0	-	2.0	2.0	-
Spec Ed- Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
	4.0	4.0	-	2.0	2.0	-
Totals	41.0	41.0	-	38.0	38.0	-
Percentage Error			0.00%			0.00%

**HILLSIDE BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

REGULAR DISTRICT

SECTION 1

A. Two (2%) - Calculation of Excess Surplus

2014-2015 Total General Fund Expenditures per the CAFR	\$52,377,228	
Increased by:		
Transfer to Special Revenue Fund	\$528,435	
Transfer for Capital Reserve and Capital Projects Fund	<u>29,505</u>	
	<u>\$557,940</u>	
		<u>\$52,935,168</u>
Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>4,802,357</u>	
Adjusted 2014-2015 General Fund Expenditures	<u>\$48,132,811</u>	
2% of Adjusted 2014-2015 General Fund Expenditures	\$ 962,656	
Increased by: Allowable Adjustment	<u>573,729</u>	
Maximum Unassigned Fund Balance		<u>\$1,536,385</u>

SECTION 2

Total General Fund – Fund Balance at June 30, 2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$5,431,820	
Decreased by:		
Assigned for Encumbrances	998,984	
Restricted Fund Balances-Capital Reserve	2,372,027	
SEMI – ARRA	44,555	
Unreserved – Designated for Subsequent Years	<u>500,903</u>	
Total Unassigned Fund Balance for Excess Surplus Calculation		<u>\$1,515,351</u>

SECTION 3

Reserved Excess Surplus		<u>\$-0-</u>
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Detail of Allowable Adjustments

Extraordinary Aid		<u>\$573,729</u>
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Detail of Restricted Fund Balances

Capital Reserve		<u>\$2,372,027</u>
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**HILLSIDE BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

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

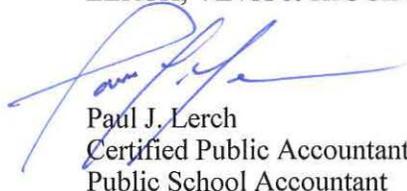
Not Applicable

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