

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
PATERSON PUBLIC SCHOOLS
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2021**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Paterson Public Schools
Paterson, 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 Paterson Public Schools, in the County of Passaic, for the year ended June 30, 2021, and have issued our report thereon dated February 2, 2022.

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 report is intended for the information of the Paterson Public Schools' management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Steven D. Wielkocz

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February 2, 2022



**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

GENERAL COMMENTS

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, and 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 of the District's CAFR.

Officials Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|---------------------|-------------------------------|---------------|
| Richard L. Matthews | School Business Administrator | \$1,696,000 |
| Javier Silva | Treasurer of School Monies | 2,000,000 |

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. Adjustments were made to sending district billings for the increase in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

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

Financial Planning, Accounting and Reporting, (continued)

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the General Fund.

Payrolls were delivered to the secretary of the Board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

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

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

Employee Position Control Roster

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

Reserve for Encumbrances, Liability for Accounts Payable

Our overview of the financial and accounting records maintained by the Board Secretary did not disclose any issues.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of 0.03% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding 2021-001: Some expenditures of tuition and other general purchases were not charged to the appropriate line item accounts in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools.

Recommendation: The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2021 Edition and other available reference materials, such as the Budget Guidelines for the proper classification required to be in compliance with N.J.A.C. 6A:23-2.3(f).

Financial Planning, Accounting and Reporting, (continued)

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary were found to be in good condition.

The Board Secretary should file monthly certifications of the budgetary line item status which are consistent with the actual budgetary records.

Fixed Assets

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Finding 2021-002: The capital asset records were not updated for the addition of some capital assets purchased during the year.

Recommendation: The district should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

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 contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I, Title II, Title III and Title IV of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questioned costs.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule K-3 and Schedule K-4 located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligation and expenditures were incurred during the fiscal year or project year 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.

T.P.A.F. Reimbursement

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

Financial Planning, Accounting and Reporting, (continued)

TPAF Reimbursement to the State for Federal Salary Expenditures

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/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.

Nonpublic State Aid

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

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term 'competitive contracting', which is defined as "the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received." Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a "Qualified Purchasing Agent" (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted."

Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,600.

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

School Purchasing Programs, (continued)

The results of our examination indicated that no individual payments, contracts or agreements were made for the performance of any work, goods or services, 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 contract or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

School Food Service

Public Health Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency, all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternative procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

During SY 2020-2021, the public health emergency was still applicable. As a result, School Food Service Activities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) Option.

SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A. 18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Price meal eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all Free and Reduced Price meal eligible students during the emergency.

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

The financial transactions and statistical records of the School Food Service Fund were reviewed. 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.

All district schools have been approved to participate in the Community Eligibility Program (CEP). All students attending CEP schools receive free meals through the Child Nutrition Program.

School Food Service, (continued)

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. No exceptions were noted.

The cash disbursements 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.

U.S.D.A. Food Distribution Program commodities were received and a separate inventory was maintained on a first in first out basis. No exceptions were noted.

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

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

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, section G of the CAFR.

Student Body Activities

The Board has a policy which clearly established the regulation for Student Activity Funds.

Application for State School Aid (ASSA)

Our audit procedures included a test of information reported in the October 15, 2020 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information included as part of the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollment.

Finding 2021-003: Students were not always listed on the approved B6T or B8T applications.

Recommendation: Better care be taken to ensure all students are approved and listed correctly on the transportation applications.

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2020-2021 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.

Pupil Transportation, (continued)

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

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

Status of Prior Year Audit Findings/Recommendation

In accordance with Government Auditing Standards, our procedures included a review on all prior year recommendations including findings. Corrective action had been taken on all prior year findings.

Suggestions to Management:

- Ensure tuition contracts are signed by all the responsible parties.
- Ensure all student activity disbursement checks are signed by the designated individuals for control purposes.
- Review and ensure all interfunds are liquidated prior to year end.
- Establish a policy to investigate stale dated checks for the Net Payroll, Payroll Agency and Don Bosco Student Activity accounts prior to each school year end.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

Steven D. Wielkocz

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Licensed Public School Accountant
No. 816

Wielkocz + Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF PATERSON
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2020**

Year ended June 30, 2021

| Enrollment category | 2020-2021 Application for State School Aid | | | | Sample for Verification | | | Private Schools for Disabled | | |
|---------------------------|--|--------------------|-------------|--------|--------------------------------------|-------------------------------------|-----------------------------------|---|---------------------|--------|
| | Reported on A.S.S.A. On Roll | Workpapers On Roll | Errors Full | Shared | Sample Selected from Workpapers Full | Registers Verified per On Roll Full | Errors per Registers On Roll Full | Reported on A.S.S.A. as Private Schools | Sample Verification | Errors |
| Full Day Preschool 3 yrs | 230 | 230 | | | | | | | | |
| Full Day Preschool 4 yrs | 282 | 282 | | | | | | | | |
| Full Day Kindergarten | 1,401 | 1,401 | | | | | | | | |
| One | 1,722 | 1,722 | | | | | | | | |
| Two | 1,547 | 1,547 | | | | | | | | |
| Three | 1,566 | 1,566 | | | | | | | | |
| Four | 1,486 | 1,486 | | | | | | | | |
| Five | 1,608 | 1,608 | | | | | | | | |
| Six | 1,641 | 1,641 | | | | | | | | |
| Seven | 1,611 | 1,611 | | | | | | | | |
| Eight | 1,613 | 1,613 | | | | | | | | |
| Ninth | 1,235 | 1,235 | | | | | | | | |
| Tenth | 1,220 | 1,220 | | | | | | | | |
| Eleventh | 1,215 | 1,215 | | | | | | | | |
| Twelfth | 1,268 | 1,268 | | | | | | | | |
| Adult High School (15+CR) | 106 | 106 | | | | | | | | |
| Subtotal | 19,751 | 19,751 | | | | | | 68 | 68 | 36 |
| Special Ed. Elementary | 1,530 | 1,530 | | | | | | 41 | 41 | 16 |
| Special Ed. Middle School | 967 | 967 | | | | | | 86 | 86 | 25 |
| Special Ed. High School | 1,041 | 1,041 | | | | | | 195 | 195 | 44 |
| | 23,289 | 23,289 | | | | | | 195 | 195 | 105 |

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF PATERSON
BOARD OF EDUCATION**

Application for State School Aid Summary
Enrollment as of October 15, 2020

Year ended June 30, 2021

| Enrollment category | 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 | Errors | Reported on A.S.S.A. as LEP Low Income | Reported on Workpapers LEP Low Income | Errors | Sample Selected from Workpapers | Verified to Test score and Register | Errors |
| Full Day Kindergarten | 1,447 | 1,447 | | 16 | 16 | | 191 | 191 | | 14 | 14 | |
| One | 1,859 | 1,859 | | 28 | 28 | | 357 | 357 | | 27 | 27 | |
| Two | 1,721 | 1,721 | | 37 | 37 | | 366 | 366 | | 36 | 36 | |
| Three | 1,721 | 1,721 | | 28 | 28 | | 385 | 385 | | 27 | 27 | |
| Four | 1,602 | 1,602 | | 24 | 24 | | 363 | 363 | | 23 | 23 | |
| Five | 1,620 | 1,620 | | 27 | 27 | | 303 | 303 | | 24 | 24 | |
| Six | 1,493 | 1,493 | | 21 | 21 | | 243 | 243 | | 21 | 21 | |
| Seven | 1,536 | 1,536 | | 30 | 30 | | 288 | 288 | | 29 | 29 | |
| Eight | 1,491 | 1,491 | | 21 | 21 | | 257 | 257 | | 18 | 18 | |
| Nine | 1,116 | 1,116 | | 20 | 20 | | 290 | 290 | | 20 | 20 | |
| Ten | 869 | 869 | | 15 | 15 | | 208 | 208 | | 12 | 12 | |
| Eleven | 831 | 831 | | 10 | 10 | | 191 | 191 | | 10 | 10 | |
| Twelve | 842 | 842 | | 8 | 8 | | 183 | 183 | | 7 | 7 | |
| Special Ed. Elementary | 1,479 | 1,479 | | 29 | 29 | | 316 | 316 | | 28 | 28 | |
| Special Ed. Middle School | 870 | 870 | | 6 | 6 | | 79 | 79 | | 5 | 5 | |
| Special Ed. High School | 823 | 823 | | 2 | 2 | | 34 | 34 | | 2 | 2 | |
| | 21,320 | 21,320 | | 322 | 322 | | 4,054 | 4,054 | | 303 | 303 | |
| | 21,320 | 21,320 | | 322 | 322 | | 4,054 | 4,054 | | 303 | 303 | |

| Category | Transportation | | | Reported on DRTS by DOE/county | Reported on DRTS by District | Sample Selected from Summary Report | Verified | Errors |
|--|--------------------------------|------------------------------|-------------------------------------|--------------------------------|------------------------------|-------------------------------------|----------|--------|
| | Reported on DRTS by DOE/county | Reported on DRTS by District | Sample Selected from Summary Report | | | | | |
| Regular - Public Schools, Part A - Rows 1-4 | 4368 | 4368 | 303 | 249 | 54 | | | |
| Transported Non Public, Part A - Rows 6-7 | 446 | 446 | 197 | 190 | 7 | | | |
| Regular - Special Education, Part A - Rows 8-9 | 1691 | 1691 | 272 | 268 | 4 | | | |
| Special needs, Part B - Row 11 | 6505 | 6505 | 772 | 707 | 65 | | | |
| Totals | | | | | | | | |

Reported Recalculated
3.4 3.4
3.4 3.4
2.5 2.5

Avg. Mileage - Regular Including Grade PK
Avg. Mileage - Regular Excluding Grade PK
Avg. Mileage - Special Ed with Special Needs

SCHEDULE OF AUDITED ENROLLMENTS

**CITY OF PATERSON
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2020**

Year ended June 30, 2021

| Enrollment category | Resident LEP NOT Low Income | | Sample for Verification | | |
|---------------------------|-------------------------------------|---------------------------------------|---------------------------------|--------------------------------------|---------------|
| | Reported on A.S.A as NOT Low Income | Reported on Workpapers NOT Low Income | Sample Selected from Workpapers | Verified to Application and Register | Sample Errors |
| P3 | | | | | |
| P4 | | | | | |
| Full Day Kindergarten | | | | | |
| One | 84 | 84 | 13 | | 13 |
| Two | 108 | 108 | 23 | | 23 |
| Three | 82 | 82 | 13 | | 13 |
| Four | 77 | 77 | 16 | | 16 |
| Five | 83 | 83 | 18 | | 18 |
| Six | 82 | 82 | 21 | | 21 |
| Seven | 79 | 79 | 23 | | 23 |
| Eight | 59 | 59 | 15 | | 15 |
| Nine | 81 | 81 | 15 | | 15 |
| Ten | 102 | 102 | 22 | | 22 |
| Eleven | 149 | 149 | 25 | | 25 |
| Twelve | 155 | 155 | 25 | | 25 |
| Special Ed. Elementary | 141 | 141 | 21 | | 21 |
| Special Ed. Middle School | 94 | 94 | 9 | | 9 |
| Special Ed. High School | 9 | 9 | 1 | | 1 |
| | 24 | 24 | 4 | | 4 |
| | <u>1409</u> | <u>1409</u> | <u>264</u> | | <u>264</u> |
| | <u>1409</u> | <u>1409</u> | <u>264</u> | | <u>264</u> |

PATERSON BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 4% Calculation of Excess Surplus

| | | |
|--|-----------------------|---------------------------------|
| 2020-21 Total General Fund Expenditures per the CAFR, Ex. C-1 | \$ <u>595,887,535</u> | (B) |
| Increased by: | | |
| Transfer from Capital Outlay to Capital Projects Fund | \$ _____ | (B1a) |
| Transfer from Capital Reserve to Capital Projects Fund | \$ _____ | (B1b) |
| Transfer from General Fund to SRF for PreK-Regular | \$ <u>2,741,443</u> | (B1c) |
| Transfer from General Fund to SRF for PreK-Inclusion | \$ _____ | (B1d) |
| Decreased by: | | |
| On-Behalf TPAF Pension & Social Security | \$ <u>82,539,809</u> | (B2a) |
| Assets Acquired Under Capital Leases | \$ _____ | (B2b) |
| Expenditures Allocated to Restricted Federal Sources as Reported on Exhibit D-2 | \$ <u>15,017,027</u> | (B2c) |
| Adjusted 2020-21 General Fund Expenditures [(B)+(B1's)-(B2's)] | \$ <u>501,072,142</u> | (B3) |
| 4% of Adjusted 2020-21 General Fund Expenditures [(B3) times .04] | \$ <u>20,042,886</u> | (B4) |
| Enter Greater of (B4) or \$250,000 | \$ <u>20,042,886</u> | (B5) |
| Increased by: Allowable Adjustment * | \$ <u>3,672,289</u> | (K) |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] | | \$ <u><u>23,715,175</u></u> (M) |

SECTION 2

| | | |
|--|----------------------|----------------------------------|
| Total General Fund - Fund Balances @ 6-30-21 (Per CAFR Budgetary Comparison Schedule C-1)) | \$ <u>42,242,816</u> | (C) |
| Decreased by: | | |
| Year-end Encumbrances | \$ <u>164,057</u> | (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | \$ _____ | (C2) |
| Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures ** | \$ <u>2,072,705</u> | (C3) |
| Other Restricted Fund Balances**** | \$ <u>3,893,992</u> | (C4) |
| Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures | \$ <u>3,322,116</u> | (C5) |
| Additional Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures July 1, 2021 - August 1, 2021 | \$ _____ | (C6)***** |
| Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)] | | \$ <u><u>32,789,946</u></u> (U1) |

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 9,074,771 (E)

Recapitulation of Excess Surplus as of June 30, 2020

| | | |
|--|----------------------|------|
| Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** | \$ <u>2,072,705</u> | (C3) |
| Reserved Excess Surplus ***[(E)] | \$ <u>9,074,771</u> | (E) |
| Total [(C3) + (E)] | \$ <u>11,147,476</u> | (D) |

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
- (H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
 - (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

| | | |
|--|---------------------|------|
| Impact Aid | \$ _____ | (H) |
| Sale & Lease-back | \$ _____ | (I) |
| Extraordinary Aid | \$ <u>3,672,289</u> | (J1) |
| Additional Nonpublic School Transportation Aid | \$ _____ | (J2) |
| Current Year School Bus Advertising Revenue Recognized | \$ _____ | (J3) |
| Family Crisis Transportation Aid | \$ _____ | (J4) |
| Total Adjustments [(H)+{I)+(J1)+(J2)+(J3)+(J4)] | \$ <u>3,672,289</u> | (K) |

** This amount represents the June 30, 2020 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2020 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

***** Increase in Assigned Fund Balance - Unreserved-Designated for Subsequent Year's expenditures July 1, 2020 to August 1, 2020 resulting from decrease in state aid after adoption of 2020-21 district budget.

Detail of Other Reserved Fund Balance

| | |
|---|------------------------------|
| Statutory restrictions: | |
| Approved unspent separate proposal | \$ _____ |
| Sale/Lease-back reserve | \$ _____ |
| Capital Reserve | \$ <u>913,619</u> |
| Maintenance Reserve | \$ _____ |
| Emergency Reserve | \$ _____ |
| Tuition Reserve | \$ _____ |
| School Bus Advertising 50% Fuel Offset Reserve - current year | \$ _____ |
| School Bus Advertising 50% Fuel Offset Reserve - prior year | \$ _____ |
| Impact Aid General Fund Reserve (Sections 8002 and 8003) | \$ _____ |
| Impact Aid Capital Fund Reserve (Sections 8007 and 8008) | \$ _____ |
| Other state/government mandated reserve | \$ _____ |
| Reserve for Unemployment Fund | \$ <u>2,980,373</u> |
| [Other Restricted Fund Balance not noted above]**** | \$ _____ |
| Total Other Restricted Fund Balance | \$ <u>3,893,992</u> (C4) |

Paterson Public Schools
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2021

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2021-001: Some expenditures for Tuition and other general purchases were not charged to the appropriate line item accounts in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools.

Recommendation: The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2021 Edition and other available reference materials, such as the Budget Guidelines for the proper classification required to be in compliance with N.J.A.C. 6A:23-2.3(f).

Finding 2021-002: The capital asset records were not updated for the addition of various capital assets purchased during the year.

Recommendation : The district should have adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions and disposals.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

Paterson Public Schools
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2021 (continued)

6. Application for State School Aid

Finding 2021-003: Multiple students were not listed on the approved B6T or B8T applications.

Recommendation: Better care be taken to ensure all students are approved and listed correctly on the transportation applications.

7. Charter School Enrollment System(CHE)

None

8. Pupil Transportation

None

9. Facilities and Capital Assets

None

10. Miscellaneous

None

11. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.