

**AUDITORS MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
PATERSON PUBLIC SCHOOLS  
COUNTY OF PASSAIC, NEW JERSEY  
JUNE 30, 2020**

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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, 2020, and have issued our report thereon dated December 21, 2020.

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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December 21, 2020



**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>
Eileen F. Shafer, M. Ed.	State District Superintendent	\$85,000
Margaret S. Cherone	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 0.00% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

### **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.

**Financial Planning, Accounting and Reporting, (continued)**

Board Secretary's Records, (continued)

**Finding 2020-001:** The District transferred from capital outlay equipment appropriation, an amount that on a cumulative basis exceeded 10 percent of the total amount of the capital outlay equipment appropriation included in the original budget. While the request was sent to the County for approval, a response was not received before June 30, 2020.

**Recommendation:** Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(f), which is cumulatively more than 10 percent of that amount. The District should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

Fixed Assets

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

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.

## **Financial Planning, Accounting and Reporting, (continued)**

The study of compliance for the Special Projects identified the following:

### **Other Special Federal and/or State Projects, (continued)**

**Finding 2020-002 (CAFR Finding 2020-01)**: A limited number of individual EXAID applications had services provided to students which were not required by their IEP. Furthermore, a limited number of EXAID applications had direct instructional costs which could not be supported by verifiable cost documentation.

**Recommendation**: The Special Services Department should ensure that all information being reported on each student's EXAID application is accurate and supported by the necessary documentation.

### **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.

### **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.

## **School Purchasing Programs, (continued)**

### **Contracts and Agreements Requiring Advertisement for Bids, (continued)**

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, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agency) and \$29,000 (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 \$19,000.

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.

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 except for:

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

## **School Food Service**

### **COVID-19 Emergency**

In accordance with the Governor's Declaration of Emergency pertaining to the COVID-19 virus, 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.

Therefore, 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.

## **School Food Service, (continued)**

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 emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible 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.

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.

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.

**Finding 2020-003:** The food service program did not generate adequate revenue to support operating expenditures which created a deficit in net position.

**Recommendation:** The District raise \$1,003,808 in the subsequent General Fund budget to cover the food service deficit in net position.

## **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, 2019 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.

## **Pupil Transportation**

Our audit procedures included a test of on-roll status reported in the 2019-2020 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. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

## **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:**

- Establish a policy to date stamp receipts received through the mail.
- Review and ensure all interfunds are liquidated prior to year end.
- Ensure all activity fund cash receipts are promptly deposited.
- Establish a policy to investigate stale dated checks for the Net Payroll and Payroll Agency 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. Wielkotz*

Steven D. Wielkotz, C.P.A.  
Licensed Public School Accountant  
No. 816

*Wielkotz & Company, LLC*

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

**SCHEDULE OF MEAL COUNT ACTIVITY**

**CITY OF PATERSON SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - FEDERAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (High Rate)	Paid					0.34	\$
National School Lunch (High Rate)	Reduced					3.03	
National School Lunch (High Rate)	Free	2,049,543	2,049,543	2,049,543		3.43	
National School Lunch (High Rate)	SSO	<u>365,046</u>	<u>365,046</u>	<u>365,046</u>		3.43	
	Total	<u>2,414,589</u>	<u>2,414,589</u>	<u>2,414,589</u>			
National School Lunch	HHFKA - PB Lunch Only	<u>2,414,589</u>	<u>2,414,589</u>	<u>2,414,589</u>		0.07	
School Breakfast (Severe Needs Rate)	Paid					0.31	
	Reduced					1.90	
	Free	<u>2,219,135</u>	<u>2,219,135</u>	<u>2,219,135</u>		2.20	
	Total	<u>2,219,135</u>	<u>2,219,135</u>	<u>2,219,135</u>			
After School Snacks	Free	<u>69,529</u>	<u>69,529</u>	<u>69,529</u>		0.94	
	Total	<u>69,529</u>	<u>69,529</u>	<u>69,529</u>			
CACFP	Supper	85,974	54,928	54,928		3.41	
	Lunch					3.41	
	Snacks	<u>264</u>	<u>264</u>	<u>264</u>		0.94	
	Total	<u>85,974</u>	<u>54,928</u>	<u>54,928</u>			
Total (Over)/Under Claim							\$ <u>          </u>

**SCHEDULE OF MEAL COUNT ACTIVITY**

**CITY OF PATERSON SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - STATE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>	
State Reimbursement - National School Lunch (High Rate)	Paid					0.050	\$	
State Reimbursement - National School Lunch (High Rate)	Reduced					0.055		
State Reimbursement - National School Lunch (High Rate)	Free	2,049,543	2,049,543	2,049,543		0.055		
State Reimbursement - National School Lunch (High Rate)	SSO	<u>357,857</u>	<u>357,857</u>	<u>357,857</u>	<u>                    </u>	0.055	<u>                    </u>	
	Total	<u>2,407,400</u>	<u>2,407,400</u>	<u>2,407,400</u>	<u>                    </u>		<u>                    </u>	
Total (Over)/Under Claim							\$	<u><u>                    </u></u>

**CITY OF PATERSON  
BOARD OF EDUCATION**

**Net cash resources did not exceed three months of expenditures  
Proprietary Funds - Food Service  
Year ended June 30, 2020**

<u>Net Cash Resources:</u>	<b>Food Service B - 4/5</b>	
<b>CAFR</b>	<b>*</b>	<b>Current Assets</b>
B-4		Cash & Cash Equiv. \$ 413,275
B-4		Due from Other Gov'ts 2,430,194
<b>CAFR</b>		<b>Current Liabilities</b>
B-4		Less Accounts Payable (319,679)
B-4		Less Due to Other Funds (4,181,883)
		<b>Net Cash Resources</b> \$ <b>(1,658,093)</b> (A)

**Net Adj. Total Operating Expense:**

B-5	Tot. Operating Exp.	18,330,891	
B-5	Less Depreciation	(163,258)	
	Adj. Tot. Oper. Exp.	<b>\$ 18,167,633</b>	<b>(B)</b>

**Average Monthly Operating Expense:**

B / 10	<b>\$ 1,816,763</b>	<b>(C)</b>
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**Three times monthly Average:**

3 X C	<b>\$ 5,450,290</b>	<b>(D)</b>
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TOTAL IN BOX A	\$ (1,658,093.00)
LESS TOTAL IN BOX D	\$ 5,450,289.90
NET	<b>\$ (7,108,382.90)</b>

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

**SCHEDULE OF AUDITED ENROLLMENTS**

**CITY OF PATERSON  
BOARD OF EDUCATION**

**Application for State School Aid Summary  
Enrollment as of October 15, 2019**

Year ended June 30, 2020

Enrollment category	2019-2020 Application for State School Aid			Sample for Verification			Private Schools for Disabled			
	Reported on A.S.S.A. On Roll	Workpapers On Roll	Errors	Sample Selected from Workpapers	Registers Verified per On Roll	Registers On Roll	Errors per Registers On Roll	Reported on A.S.S.A. as Private Schools	Sample Verification	Errors
	Full	Shared	Full	Full	Shared	Full	Full	Shared	Full	Shared
Full Day Preschool 3 yrs	250		250	249		249				
Full Day Preschool 4 yrs	323		323	322		322				
Full Day Kindergarten	1,860		1,860	1,841		1,841				
One	1,685		1,685	1,639		1,639				
Two	1,686		1,686	1,630		1,630				
Three	1,569		1,569	1,522		1,522				
Four	1,721		1,721	1,689		1,689				
Five	1,692		1,692	1,647		1,647				
Six	1,651		1,651	1,623		1,623				
Seven	1,642		1,642	1,611		1,611				
Eight	1,660		1,660	1,631		1,631				
Ninth	1,243		1,243	1,221		1,221				
Tenth	1,271		1,271	1,253		1,253				
Eleventh	1,307		1,307	1,273		1,273				
Twelfth	1,304		1,304	1,283		1,283				
Adult High School (15+CR)	208		208	207		207				
Subtotal	21,072		21,072	20,641		20,641				
Special Ed. Elementary	1,677		1,677	1,926		1,926		68	49	49
Special Ed. Middle School	969		969	1,060		1,060		34	19	19
Special Ed. High School	1,025		1,025	1,141		1,141		86	49	49
	24,743		24,743	24,768		24,768		188	117	117

**SCHEDULE OF AUDITED ENROLLMENTS**

**CITY OF PATERSON  
BOARD OF EDUCATION**

Application for State School Aid Summary  
Enrollment as of October 15, 2019

Year ended June 30, 2020

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	Sample Errors
Full Day Kindergarten	2,040	2,040		24	24		394	394		22	22	
One	1,873	1,873		33	33		397	397		34	34	
Two	1,898	1,898		23	23		418	418		26	26	
Three	1,737	1,737		24	24		384	384		27	27	
Four	1,738	1,738		19	19		382	382		22	22	
Five	1,670	1,670		23	23		296	296		20	20	
Six	1,659	1,659		17	17		278	278		14	14	
Seven	1,594	1,594		14	14		248	248		15	15	
Eight	1,622	1,622		19	19		320	320		15	15	
Nine	938	938		23	23		212	212		24	24	
Ten	943	943		20	20		212	212		19	19	
Eleven	965	965		20	20		209	209		20	20	
Twelve	879	879		12	12		190	190		12	12	
Special Ed. Elementary	1,722	1,722		21	21		369	369		21	21	
Special Ed. Middle School	951	951		11	11		64	64		7	7	
Special Ed. High School	828	828		9	9		27	27		5	5	
	<b>23,057</b>	<b>23,057</b>		<b>312</b>	<b>312</b>		<b>4,400</b>	<b>4,400</b>		<b>303</b>	<b>303</b>	
	<b>23,057</b>	<b>23,057</b>		<b>312</b>	<b>312</b>		<b>4,400</b>	<b>4,400</b>		<b>303</b>	<b>303</b>	

Category	Transportation			Sample Selected from Summary Report			Reported vs Recalculated		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Sample Selected from Summary Report	Verified	Errors	Reported	Recalculated	Errors
Regular - Public Schools, Part A - Rows 1-4	4111	4111		303	303		3.5	3.5	
Transported Non Public, Part A - Rows 6-7	573	573		197	197		3.5	3.5	
Regular - Special Education, Part A - Rows 8-9	15	15		13	13		2.4	2.4	
Special needs, Part B - Row 11	1871	1871		279	279				
<b>Totals</b>	<b>6570</b>	<b>6570</b>		<b>792</b>	<b>792</b>				

**SCHEDULE OF AUDITED ENROLLMENTS**

**CITY OF PATERSON  
BOARD OF EDUCATION**

**Application for State School Aid Summary  
Enrollment as of October 15, 2019**

**Year ended June 30, 2020**

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	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
P3						
P4						
Full Day Kindergarten	103	103		3	3	
One	95	95		24	24	
Two	85	85		19	19	
Three	79	79		13	13	
Four	87	87		20	20	
Five	81	81		19	19	
Six	70	70		13	13	
Seven	81	81		16	16	
Eight	98	98		16	16	
Nine	150	150		24	24	
Ten	156	156		30	30	
Eleven	126	126		25	25	
Twelve	123	123		14	14	
Special Ed. Elementary	59	59		15	15	
Special Ed. Middle School	5	5		4	4	
Special Ed. High School	16	16		9	9	
	<u>1414</u>	<u>1414</u>		<u>264</u>	<u>264</u>	
	1414	1414		264	264	

**PATERSON BOARD OF EDUCATION  
EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2019-20 Total General Fund Expenditures per the CAFR, Ex. C-1		\$	<u>591,345,878</u>		
Increased by:					
Transfer from Capital Outlay to Capital Projects Fund		\$	<u>                    </u>		(B1a)
Transfer from Capital Reserve to Capital Projects Fund		\$	<u>                    </u>		(B1b)
Transfer from General Fund to SRF for PreK-Regular		\$	<u>1,547,385</u>		(B1c)
Transfer from General Fund to SRF for PreK-Inclusion		\$	<u>                    </u>		(B1d)
Decreased by:					
On-Behalf TPAF Pension & Social Security		\$	<u>65,993,022</u>		(B2a)
Assets Acquired Under Capital Leases		\$	<u>                    </u>		(B2b)
Expenditures Allocated to Restricted Federal Sources as Reported on Exhibit D-2		\$	<u>13,616,458</u>		(B2c)
Adjusted 2019-20 General Fund Expenditures [(B)+(B1's)-(B2's)]		\$	<u>513,283,783</u>		(B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]		\$	<u>10,265,676</u>		(B4)
Enter Greater of (B4) or \$250,000		\$	<u>10,265,676</u>		(B5)
Increased by: Allowable Adjustment *		\$	<u>3,420,809</u>		(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$	<u><u>13,686,485</u></u>		(M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-20 (Per CAFR Budgetary Comparison Schedule C-1))		\$	<u>23,577,752</u>		
Decreased by:					
Year-end Encumbrances		\$	<u>469,617</u>		(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures		\$	<u>                    </u>		(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **		\$	<u>1,712,308</u>		(C3)
Other Restricted Fund Balances****		\$	<u>1,913,619</u>		(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures		\$	<u>3,723,018</u>		(C5)
Additional Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures July 1, 2020 - August 1, 2020		\$	<u>                    </u>		(C6)*****
Total Unassigned Fund Balance [( C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$	<u><u>15,759,190</u></u>		(U1)

**SECTION 3**

Restricted Fund Balance - Excess Surplus\*\*\* [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 2,072,705 (E)

**Recapitulation of Excess Surplus as of June 30, 2020**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ 1,712,308 (C3)
Reserved Excess Surplus ***[(E)]	\$ <u>2,072,705</u> (E)
Total [(C3) + (E)]	\$ <u><u>3,785,013</u></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>3,420,809</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>3,420,809</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 another 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	\$ <u>1,000,000</u>
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	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
Total Other Restricted Fund Balance	\$ <u>1,913,619</u> (C4)

**PATERSON PUBLIC SCHOOLS  
COUNTY OF PASSAIC, NEW JERSEY**

**AUDIT RECOMMENDATIONS SUMMARY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Recommendations:

1. Administrative Practices and Reporting

None

2. Financial Planning, Accounting and Reporting

Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(f), which is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

The Special Services Department should ensure that all information being reported on each student's EXAID application is accurate and supported by the necessary documentation.

3. School Purchasing Programs

None

4. School Food Service

The District raise \$1,003,808 in the subsequent General Fund Budget to cover the food service deficit in net position.

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

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