

**PATERSON PUBLIC SCHOOLS  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2016**

**PATERSON PUBLIC SCHOOLS  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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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, County of Passaic, State of New Jersey as of and for the year ended June 30, 2016, and have issued our report thereon dated November 22, 2016.

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

Jeffrey C. Bliss  
Public School Accountant  
PSA Number CS00932

Fair Lawn, New Jersey  
November 22, 2016

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary, School Business Administrator and Treasurer of School Monies, 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. Donnie W. Evans	State District Superintendent	\$ 85,000
Fabiana M. Mello	Treasurer of School Monies	\$2,000,000

There is an Employees' Dishonesty Faithful Performance Crime Coverage with the F & D Insurance covering all other employees with multiple coverage of \$500,000 per person.

**Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

An examination of claims paid during the period under review revealed immaterial discrepancies with respect to signatures, certification or supporting documentation.

**Payroll Account**

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

Salary withholdings were promptly remitted to the proper agencies for the payroll periods tested, including health benefits withholding due to the General Fund.

All payrolls were approved by the State District Superintendent/Board Secretary and were certified by the School Business Administrator.

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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. 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:23-2.2(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 included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23-8.2. 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 good condition.

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

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Treasurer's Records

The Treasurer did perform reconciliations for all required accounts.

The Treasurer's records were in agreement with the Board Secretary's records.

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./NCLB 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 as amended and reauthorized.

Our examination of the E.S.E.A./NCLB 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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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.

- **Finding** – Our audit of the Preschool Education Aid Program revealed that noncompliance with program requirements were noted relating to preschool service providers as indicated in reports prepared by the District's internal audit department. We noted in several instances amounts are due back from the service providers as a result of the internal audits. Corrective action plans were prepared and approved by the District. We noted the District is monitoring the service providers on a continuous basis therefore, no recommendation is warranted.
- **Finding** - The Office of Fiscal Accountability and Compliance issued a report of review to the Paterson Public Schools pertaining to educational and special education service costs for residential students reported on the Application for Special Education Extraordinary Aid (EXAID) for fiscal year 2012/2013. The review report noted findings regarding exceptions for costs claimed for reimbursement and qualification of students based on their IEP. The report identified \$1,890,824 in questioned costs. A corrective action plan was prepared and approved by the District relating to the recommendations noted in the OFAC report.

**T.P.A.F. Reimbursements**

Our audit procedures included a test of the semi-monthly reimbursement forms 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 Report 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.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

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 school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300. The Board designated the District Purchasing Agent as the Qualified Purchasing Agent.

The District 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 did not indicate any 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.

**Food Service Fund**

The school food service program was not selected as a major federal and/or state program. However, program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims and as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The financial transactions and records of the school food services were maintained in satisfactory condition. The financial accounts and records were reviewed on a test-check basis.

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.

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

Cash receipt records and bank records were reviewed for timely deposit.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Food Service Fund (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.

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.

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.

Net cash resources do not exceed three months average expenditures.

**Student Body Activities**

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

Cash receipts and disbursements records for the various schools were maintained in satisfactory condition.

- **Finding** - Our audit of the International High School activity account indicated that a payment to a District employee for cash refunds paid to students for a cancelled class trip had no documentation to support the students who received payment.

**Recommendation** – Disbursements for refunds to students be supported by documentation reflecting the amount paid and individuals receiving payment.

- **Finding** - Our audit of various student activity accounts indicated the following:
  - Garrett Morgan High School
    - Pre-numbered receipts are not utilized for funds collected.
    - Cancelled checks for disbursements were not provided for audit.
  - School No. 8
    - Prenumbered receipts are not utilized for funds collected.
  - School No. 11
    - Certain instances noted where checks contained only one authorization signature.
    - Certain instances noted where a vendor invoice supporting payments made were not able to be provided for audit.

**Recommendation** – Internal controls over student activity accounts receipts and disbursements be reviewed and enhanced.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 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 with exceptions noted. The information that was included on the workpapers was verified with exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

- **Finding (CAFR Finding 2016-001)** - Our audit indicated that the number of students reported as low income on the ASSA was not in agreement with the District's supporting workpapers.

**Recommendation** – Internal controls over the preparation of the ASSA be reviewed and enhanced to ensure that low income students reported on the application are properly supported by district workpapers.

- **Finding (CAFR Finding 2016-001)** - Our audit of low income students reported on the ASSA indicated certain instances where a valid household information survey could not be provided for audit.

**Recommendation** – In all instances, household information surveys for students reported as low income on the ASSA be retained and made available for audit.

- **Finding** - The Office of Fiscal Accountability and Compliance (OFAC) issued a report of review to the Paterson Public Schools pertaining to enrollment data used for the Application for State School Aid (ASSA) and the District Report of Transported Resident Students (DRTRS) as of October 15, 2012. The report noted findings for exceptions for student counts and documentation to support student classifications. The report identified \$101,834 in questioned costs. A corrective action plan was prepared and approved by the District relating to the recommendations noted in the OFAC report.

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 2015-16 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 noted differences for amounts tested which are presented in the Schedule of Audited Enrollments.

- **Finding** – Our audit indicated that transportation applications for individuals attending choice schools were not able to be provided for audit.

**Recommendation** – Transportation applications for individuals attending choice schools be retained and made available for audit.

- **Finding** – Our audit indicated Aid-in-Lieu of transportation payments were made to individuals who were not eligible for payment in accordance with the approved application for transportation (B6T).

**Recommendation** – Payments for aid-in-lieu of transportation be made only to those individuals who are eligible in accordance with the approved application for transportation.

Our procedures also included a review of transportation related contracts and purchases. Based on our review of transportation related purchases of goods and services, the District complied with proper bidding procedures and award of contracts.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Facilities and Capital Assets**

Since the District is classified as a District required to utilize school based budgeting, a majority of School Development Authority (SDA) grant activity is conducted by the State of New Jersey on behalf of the District. The on-behalf grant activity is reported in the District's financial statements as state aid revenue and capital outlay expenditures in the Capital Projects Fund.

**Follow-up Prior Year Findings**

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

**Suggestion to Management**

- Reconciling items reflected on the Payroll Agency bank account reconciliation be reviewed and appropriately cleared of record.
- Old outstanding checks on the Liability, Workers Compensation, Teacher Salary and Summer Savings bank account reconciliations be reviewed and appropriately cleared of record.
- The District conduct a verification of payroll check distribution during the 2016-17 fiscal year in accordance with NJAC 6A:23A-5.7.

**PATERSON PUBLIC SCHOOLS  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOT APPLICABLE**

**PATERSON PUBLIC SCHOOLS  
FOOD SERVICE FUND  
NET CASH RESOURCE SCHEDULE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NET CASH RESOURCES SCHEDULE**

**Net Cash Resources**

**Current Assets**

Cash and Cash Equivalents	\$	1,454,571
Intergovernmental Accounts Receivable		3,433,577

**Current Liabilities**

Accounts Payable		(1,096,480)
Accrued Salaries and Wages		(51,254)
Due to Other Funds		(1,061,283)

<b>Net Cash Resources</b>	<b>\$</b>	<b><u>2,679,131</u></b> (A)
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**Operating Expenditures**

Total Operating Expenditures		18,192,968
Less Depreciation		(102,118)
Less USDA Commodities		(975,680)

Adjusted Total Operating Expenditures	<b>\$</b>	<b><u>17,115,170</u></b> (B)
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**Average Monthly Operating Expense:**

B / 10	<b>\$</b>	<b><u>1,711,517</u></b> (C)
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**Three times monthly Average:**

C x 3	<b>\$</b>	<b><u>5,134,551</u></b> (D)
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TOTAL IN BOX A	\$	2,679,131
LESS TOTAL IN BOX D	\$	<u>5,134,551</u>
NET	\$	<u>-</u>

PATERSON BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 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	Reported on Work papers a Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared						
Half Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Full Day Pre K (3yrs)	225	-	226	-	1	-	21	-	21	-	-	-	-	-	-	-	-	
Half Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Full Day Pre K (4yrs)	264	-	264	-	-	-	15	-	15	-	-	-	-	-	-	-	-	
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Full Day Kindergarten	2,065	-	2,065	-	-	-	17	-	17	-	-	-	-	-	-	-	-	
Grade 1	2,017	-	2,017	-	-	-	60	-	60	-	-	-	-	-	-	-	-	
Grade 2	1,930	-	1,930	-	-	-	56	-	56	-	-	-	-	-	-	-	-	
Grade 3	1,927	-	1,924	-	(3)	-	109	-	109	-	-	-	-	-	-	-	-	
Grade 4	1,831	-	1,831	-	-	-	99	-	99	-	-	-	-	-	-	-	-	
Grade 5	1,654	-	1,652	-	(2)	-	44	-	44	-	-	-	-	-	-	-	-	
Grade 6	1,579	-	1,578	-	(1)	-	54	-	54	-	-	-	-	-	-	-	-	
Grade 7	1,549	-	1,548	-	(1)	-	73	-	73	-	-	-	-	-	-	-	-	
Grade 8	1,616	-	1,617	-	1	-	110	-	110	-	-	-	-	-	-	-	-	
Grade 9	1,349	-	1,349	-	-	-	120	-	120	-	-	-	-	-	-	-	-	
Grade 10	1,225	-	1,223	-	(2)	-	42	-	43	-	1	-	-	-	-	-	-	
Grade 11	1,291	-	1,290	-	(1)	-	39	-	39	-	-	-	-	-	-	-	-	
Grade 12	1,155	-	1,155	-	-	-	13	-	13	-	-	-	-	-	-	-	-	
Adult HS (15+Credits)	167	-	167	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Adult High School (1-14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal	21,844	-	21,836	-	(8)	-	872	-	873	-	1	-	-	-	-	-	-	
Sp Ed- Elementary	1,349	-	1,353	-	4	-	29	-	28	-	(1)	-	75	75	18	13	(5)	
Sp Ed - Middle School	890	-	893	-	3	-	5	-	5	-	-	-	39	38	9	8	(1)	
Sp Ed - High School	1,092	-	1,095	-	3	-	38	-	38	-	-	-	110	111	26	24	(2)	
Subtotal	3,331	-	3,341	-	10	-	72	-	71	-	(1)	-	224	224	53	45	(8)	
Totals	25,175	-	25,177	-	2	-	944	-	944	-	-	-	224	224	53	45	(8)	
Percentage Error					0.01%	0.00%					0.00%	0.00%						-15.09%

**PATERSON BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
10/15/2015**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1,584	1,669	85.0	25	15	(10.0)	351	479	128.0	26	16	(10.0)
Grade 1	1,725	1,479	(246.0)	27	22	(5.0)	344	326	(18.0)	26	21	(5.0)
Grade 2	1,769	1,537	(232.0)	28	18	(10.0)	276	256	(20.0)	21	14	(7.0)
Grade 3	1,735	1,506	(229.0)	27	23	(4.0)	267	258	(9.0)	20	17	(3.0)
Grade 4	1,666	1,427	(239.0)	26	18	(8.0)	200	185	(15.0)	15	10	(5.0)
Grade 5	1,489	1,253	(236.0)	23	19	(4.0)	137	125	(12.0)	10	9	(1.0)
Grade 6	1,404	1,196	(208.0)	22	16	(6.0)	154	142	(12.0)	12	9	(3.0)
Grade 7	1,332	1,131	(201.0)	21	13	(8.0)	167	164	(3.0)	12	9	(3.0)
Grade 8	1,321	1,162	(159.0)	21	13	(8.0)	185	180	(5.0)	14	9	(5.0)
Grade 9	1,005	929	(76.0)	16	15	(1.0)	184	179	(5.0)	14	13	(1.0)
Grade 10	926	844	(82.0)	15	11	(4.0)	176	174	(2.0)	13	10	(3.0)
Grade 11	888	822	(66.0)	14	10	(4.0)	130	127	(3.0)	10	7	(3.0)
Grade 12	766	712	(54.0)	12	9	(3.0)	102	98	(4.0)	8	6	(2.0)
Subtotal	17,610.0	15,667.0	(1,943.0)	277.0	202.0	(75.0)	2,673.0	2,693.0	20.0	201.0	150.0	(51.0)
Sp Ed - Elementary	1,236	1,030	(206.0)	20	13	(7.0)	160	99	(61.0)	12	8	(4.0)
Sp Ed - Middle School	787	672	(115.0)	12	10	(2.0)	37	35	(2.0)	3	3	-
Sp Ed - High School	841	748	(93.0)	13	5	(8.0)	32	30	(2.0)	2	-	(2.0)
Subtotal	2,864.0	2,450.0	(414.0)	45.0	28.0	(17.0)	229.0	164.0	(65.0)	17.0	11.0	(6.0)
Totals	20,474.0	18,117.0	(2,357.0)	322.0	230.0	(92.0)	2,902.0	2,857.0	(45.0)	218.0	161.0	(57.0)

Percentage Error -11.51% -28.57% 1.55% -26.15%

	Transportation					
	Reported on DRTRS by County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	2,368.0	2,368	-	175	117	(58.0)
Special Ed. - Public	135.0	135	-	10	10	-
Transported - Non - Public	654.0	654	-	48	42	(6.0)
Special Needs - Public	926.0	926	-	68	61	(7.0)
Subtotal	4,083.0	4,083.0	-	301.0	230.0	(71.0)

Percentage Error -24%

**PATERSON BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
10/15/2015**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-
Full Day Pre K (4yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	159	215	56.0	12	12	-
Grade 1	106	115	9.0	8	8	-
Grade 2	71	79	8.0	5	5	-
Grade 3	57	59	2.0	4	4	-
Grade 4	53	54	1.0	4	4	-
Grade 5	53	58	5.0	4	4	-
Grade 6	58	63	5.0	5	5	-
Grade 7	76	75	(1.0)	6	6	-
Grade 8	88	91	3.0	7	7	-
Grade 9	98	101	3.0	7	7	-
Grade 10	84	87	3.0	6	6	-
Grade 11	78	81	3.0	6	6	-
Grade 12	81	84	3.0	6	6	-
Subtotal	1,062.0	1,162.0	100.0	80.0	80.0	-
Sp Ed - Elementary	42	30	(12.0)	3	3	-
Sp Ed - Middle School	13	11	(2.0)	1	1	-
Sp Ed - High School	12	9	(3.0)	1	1	-
Subtotal	67.0	50.0	(17.0)	5.0	5.0	-
Totals	1,129.0	1,212.0	83.0	85.0	85.0	-
		-7.35%			0.00%	

**PATERSON PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**SECTION 1**

**Calculation A: 2% Excess Surplus:**

2015-16 Total General Fund Expenditures Reported on Exhibit C-1	\$ 517,245,536	
Add: Transfer to Special Revenue Fund - Preschool Program	2,315,185	
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2	<u>6,319,126</u>	
2015-16 Adjusted General Fund and Other State Expenditures		\$ 513,241,595
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>45,366,494</u>
Adjusted 2015-16 General Fund Expenditures		<u>\$ 467,875,101</u>
2% of Adjusted 2015-16 General Fund Expenditures		<u>\$ 9,357,502</u>
Enter Greater of 2% of Adjusted 2015-16 General Fund Expenditures or \$250,000	\$ 9,357,502	
Increased by: Allowable Adjustment*	<u>1,236,216</u>	
Maximum Unassigned Fund Balance		<u>\$ 10,593,718</u>

**SECTION 2 - All Districts**

Total General Fund - Fund Balances at June 30, 2016 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 31,992,158	
Decreased by:		
Year End Encumbrances	387,602	
Other Restricted Fund Balances **	6,997,356	
Assigned-Designated for Subsequent Year's Expenditures	<u>16,406,456</u>	
Total Unassigned Fund Balance		<u>\$ 8,200,744</u>

**SECTION 3**

**Fund Balance - Excess Surplus** \$ -

**\*Detail of Allowable Adjustments**

Extraordinary Aid	\$ 354,627	
Additional Nonpublic School Transportation Aid	89,352	
SEMI 2013/2014 Cost Settlement	<u>792,237</u>	
		<u>\$ 1,236,216</u>

**\*\*Detail of Other Restricted Fund Balance**

Capital Reserve	\$ 3,797,356	
Capital Reserve - Designated for Subsequent Year's Expenditures	2,200,000	
Emergency Reserve	<u>1,000,000</u>	
		<u>\$ 6,997,356</u>

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2016**

Encumbrances per the June 30, 2016 Board Secretary Report (General Fund) \$387,602

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
General Administration	\$ 125,000	\$ 125,000	
Operations and Maintenance	262,602	262,602	
	387,602	387,602	-

Total Encumbrances Cancelled During the Audit -

Assigned Fund Balance - Year End Encumbrances, June 30, 2016 \$ 387,602

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2016**

Encumbrances per the June 30, 2016 Board Secretary Report (Special Revenue Fund)		\$	-
Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Total Encumbrances Cancelled During the Audit			-
Fund Balance - Year End Encumbrances, June 30, 2016 (Budgetary Basis)			\$ -

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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**

It is recommended that:

1. Disbursements for refunds to students be supported by documentation reflecting the amount paid and individuals receiving payment.
2. Internal controls over student activity accounts receipts and disbursements be reviewed and enhanced.

**VI. Application for State School Aid**

It is recommended that:

1. Internal controls over the preparation of the ASSA be reviewed and enhanced to ensure that low income students reported on the application are properly supported by district workpapers.
2. In all instances, household information surveys for students reported as low income on the ASSA be retained and made available for audit.

**VII. Transportation**

It is recommended that:

1. Transportation applications for individuals attending choice schools be retained and made available for audit.
2. Payments for aid-in-lieu of transportation be made only to those individuals who are eligible in accordance with the approved application for transportation.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**RECOMMENDATIONS  
(Continued)**

**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 prior year findings other than those 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. In addition, it should be noted that the Business Office deserves much credit for the significant improvements made since the previous audit report.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP

  
Jeffrey C. Bliss  
Public School Accountant  
PSA Number CS00932