

**PATERSON PUBLIC SCHOOLS
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2014**

**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, 2014, and have issued our report thereon dated November 18, 2014.

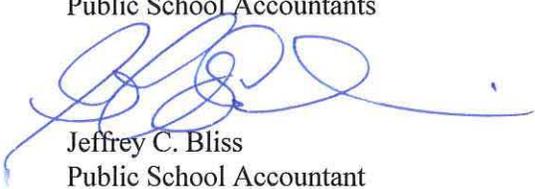
As part of our audit, we performed procedures required by the Office of School Finance, Department of Education, State of New Jersey and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

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

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants


Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
November 18, 2014

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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
Betty Jean Shabazz	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 \$100,000 per person.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The District made the proper adjustment to the billings to sending districts for the adjustment in per pupil costs in accordance with N.J.A.C. 6:A23-3.1(f)3.

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.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (continued)

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

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.

- **Finding (CAFR Finding 2014-001)** – Our audit indicated certain outstanding purchase order balances reported as either Accounts Payable or Reserved for Encumbrances that were not liquidated subsequent to year end and appear to be overstated.

Recommendation – Outstanding purchase orders be reviewed at year end to determine appropriateness and any overstated balances be cancelled accordingly.

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.

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.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Financial Planning, Accounting and Reporting (Continued)

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, III and IV 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.

- **Finding . (CAFR Finding 2014-002)** – Our audit indicated that the allocation of employee salaries to Federal grant programs were not presented by Board action and included in the minutes.

Recommendation – The allocation of employee salaries charged to federal grant programs be specifically presented by Board action and included in the official minutes on an annual basis.

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.

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.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (without a Qualified Purchasing Agent), respectively. 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.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

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.

- **Finding** – Our audit revealed purchases were made and contracts were entered into prior to the approval of a requisition and issuance of a purchase order (confirming orders), including the award of a contract in excess of \$1 million for professional development services.

Recommendation – In all instances, purchases and contracts be made in accordance with approved District purchasing procedures to ensure confirming orders do not occur.

- **Finding** – Our audit indicated certain instances where payments made to vendors exceeded the contract award amount approved in the minutes.

Recommendation – Payments to vendors be monitored to ensure cumulative payments do not exceed the amount approved in the contract award.

Food Service Fund

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

The number of meals claimed for reimbursement was verified against meal count records with immaterial exceptions noted. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were timely filed.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications was completed and available for review.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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.

- **Finding** - Our audit of the District's food service program revealed that noncompliance with program requirements were noted relating to the school nutrition and fresh fruit and vegetable programs, as indicated in an administrative review summary report prepared by the State of New Jersey. A corrective action plan has been prepared and approved by the District. We noted the District is monitoring the implementation of the corrective action, therefore no recommendation is warranted.

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 Panther Academy student activity account indicated that funds were utilized to acquire gift cards for the purchase of items online.

Recommendation – The District review and revise its student activity policy and procedures with respect to purchases made with the use of gift cards.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2013 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.

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

- **Finding (CAFR finding 2014-003)** – Our audit indicated that the number of students reported on the ASSA as attending Private Schools for the Disabled were not able to be supported by sufficient documentation.

Recommendation – Internal controls over the preparation of the ASSA be reviewed and enhanced to ensure that workpapers are maintained to support the number of students reported as attending Private Schools for the Disabled.

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

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2013-2014 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with an immaterial exception noted. The results of our procedures noted differences for amounts tested which are presented in the Schedule of Audited Enrollments.

- **Finding (CAFR Finding 2014-004)** – Our audit of the DRTRS application indicated that transportation was provided to certain special education students who did not meet the remote mileage requirement and whose Individualized Education Program (IEP) did not reflect transportation as a requirement.

Recommendation – Only those special education students who meet the remote mileage requirement or whose IEP reflects transportation as a requirement be reported on the DRTRS.

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, except as previously noted under the school purchasing program.

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

- The District review with the computer accounting software vendor the ability of the system to generate a detailed report of year end accounts payable (i.e. liabilities) from the purchase order data base.

**PATERSON PUBLIC SCHOOLS
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals Category</u>	<u>Meals/Milks Claimed</u>	<u>Meals/Milks Tested</u>	<u>Meals/Milks Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
National School Lunch (Regular Rate)	Paid	117,937	4,830	4,830		\$ 0.30	
	Reduced	109,752	5,491	5,491	10	2.55	\$ (25.50)
	Free	<u>3,004,907</u>	<u>177,885</u>	<u>177,885</u>	<u>62</u>	2.95	<u>(182.90)</u>
	Total Lunch	<u>3,232,596</u>	<u>188,206</u>	<u>188,206</u>	<u>72</u>		<u>(208.40)</u>
School Breakfast (Regular)	Paid	49,893	3,601	3,601	-	0.03	-
	Reduced	34,638	1,598	1,598	-	1.59	-
	Free	<u>1,218,859</u>	<u>72,127</u>	<u>72,127</u>	<u>-</u>	1.89	<u>-</u>
	Total Breakfast	<u>1,303,390</u>	<u>77,326</u>	<u>77,326</u>	<u>-</u>		<u>-</u>
School Snacks (Regular)	Free	<u>424,353</u>	<u>28,384</u>	<u>28,384</u>	<u>-</u>	0.80	<u>-</u>
	Total Snacks	<u>424,353</u>	<u>28,384</u>	<u>28,384</u>	<u>-</u>		<u>-</u>
		<u>4,960,339</u>	<u>293,916</u>	<u>293,916</u>	<u>72</u>		<u>\$ (208.40)</u>

**PATERSON PUBLIC SCHOOLS
FOOD SERVICE FUND
NET CASH RESOURCE SCHEDULE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NET CASH RESOURCES SCHEDULE

Net Cash Resources

Current Assets

Cash and Cash Equivalents	\$	2,290,245
Intergovernmental Accounts Receivable		3,820,369

Current Liabilities

Accounts Payable		(926,335)
Accrued Salaries and Wages		(30,746)
Due to Other Funds		<u>(3,066,063)</u>

Net Cash Resources	\$	<u>2,087,470 (A)</u>
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Operating Expenditures

Total Operating Expenditures		14,847,400
Less Depreciation		(63,826)
Less USDA Commodities		<u>(908,943)</u>

Adjusted Total Operating Expenditures	\$	<u>13,874,631 (B)</u>
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Average Monthly Operating Expense:

B / 10	\$	<u>1,387,463 (C)</u>
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Three times monthly Average:

C x 3	\$	<u>4,162,389 (D)</u>
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TOTAL IN BOX A	\$	2,087,470
LESS TOTAL IN BOX D	\$	<u>4,162,389</u>
NET	\$	<u>(2,075,136)</u>

**PATERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2013**

	2014-2015 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on	Sample			
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as	for			
	On Roll		On Roll		Full	Shared	Workpapers		On Roll		On Roll		Private	Verifi-	Sample	Sample	
Full	Shared	Full	Shared	Full			Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Errors		
Half Day Pre K (3yrs)																	
Full Day Pre K (3yrs)	236		235		(1)		20		20								
Half Day Pre K (4yrs)																	
Full Day Pre K (4yrs)	230		231		1		10		10								
Half Day Kindergarten																	
Full Day Kindergarten	2,136		2,135		(1)		34		34								
Grade 1	2,102		2,105		3		40		40								
Grade 2	1,950		1,950				58		58								
Grade 3	1,836		1,833		(3)		67		67								
Grade 4	1,647		1,644		(3)		50		50								
Grade 5	1,625		1,628		3		26		26								
Grade 6	1,624		1,624				69		69								
Grade 7	1,684		1,685		1		51		51								
Grade 8	1,593		1,592		(1)		28		28								
Grade 9	1,384		1,383		(1)		33		33								
Grade 10	1,370		1,372		2		132		132								
Grade 11	900		900				88		88								
Grade 12	1,050		1,049		(1)		41		41								
Adult HS (15+Credits)	209		209		-	-	209		209		-	-					
Subtotal	21,576	-	21,575	-	(1)	-	956	-	956	-	-	-					
Sp Ed- Elementary	1,310		1,309		(1)		59		59				67	38	27	(11)	
Sp Ed - Middle School	973		975		2		17		17				52	30	28	(2)	
Sp Ed - High School	1,071		1,071		-	-	81		81		-	-	117	67	66	(1)	
Subtotal	3,354	-	3,355	-	1	-	157	-	157	-	-	-	236	135	121	(14)	
Totals	24,930	-	24,930	-	-	-	1,113	-	1,113	-	-	-	236	135	121	(14)	
Percentage Error					0.00%	0.00%					0.00%	0.00%					-10.37%

**PATERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2013
SCHEDULE OF AUDITED ENROLLMENTS**

	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	1,884.0	1,885.0	1.0	32.0	31.0	(1.0)	384.0	384.0		9.0	9.0	
Grade 1	1,992.0	1,993.0	1.0	32.0	32.0		367.0	368.0	1.0	5.0	5.0	
Grade 2	1,854.0	1,854.0		32.0	32.0		395.0	395.0		3.0	3.0	
Grade 3	1,738.0	1,738.0		30.0	30.0		322.0	322.0		4.0	4.0	
Grade 4	1,564.0	1,563.0	(1.0)	28.0	26.0	(2.0)	234.0	234.0		2.0	2.0	
Grade 5	1,549.0	1,549.0		27.0	27.0		215.0	215.0		4.0	4.0	
Grade 6	1,548.0	1,550.0	2.0	26.0	26.0		235.0	235.0		2.0	2.0	
Grade 7	1,569.0	1,568.0	(1.0)	25.0	25.0		189.0	189.0		3.0	3.0	
Grade 8	1,489.0	1,488.0	(1.0)	27.0	27.0		232.0	231.0	(1.0)	3.0	3.0	
Grade 9	1,279.0	1,279.0		21.0	21.0		243.0	243.0		5.0	5.0	
Grade 10	1,226.0	1,229.0	3.0	20.0	20.0		228.0	228.0		4.0	4.0	
Grade 11	777.0	777.0		13.0	13.0		123.0	123.0		4.0	4.0	
Grade 12	885.0	886.0	1.0	14.0	14.0	-	144.0	144.0	-	4.0	4.0	-
Subtotal	19,354.0	19,359.0	5.0	327.0	324.0	(3.0)	3,311.0	3,311.0	-	52.0	52.0	-
Sp Ed - Elementary	1,239.0	1,155.0	(84.0)	20.0	20.0		139.0	138.0	(1.0)	1.0	1.0	
Sp Ed - Middle School	941.0	946.0	5.0	15.0	15.0		52.0	52.0		1.0	1.0	
Sp Ed - High School	945.0	947.0	2.0	10.0	10.0	-	35.0	35.0	-	1.0	1.0	-
Subtotal	3,125.0	3,048.0	(77.0)	45.0	45.0	-	226.0	225.0	(1.0)	3.0	3.0	-
Totals	22,479.0	22,407.0	(72.0)	372.0	369.0	(3.0)	3,537.0	3,536.0	(1.0)	55.0	55.0	-
Percentage Error			<u>-0.32%</u>			<u>-0.81%</u>			<u>0.03%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	2,331.0	2,330.0	(1.0)	170.0	166.0	(4.0)
Special Ed. - Public	665.0	665.0	-	48.0	36.0	(12.0)
Transported - Non - Public	397.0	397.0	-	29.0	29.0	-
Special Needs - Public	764.0	764.0	-	56.0	45.0	(11.0)
	4,157.0	4,156.0	(1.0)	303.0	276.0	(27.0)
Percentage Error			<u>-0.02%</u>			<u>-8.91%</u>

**PATERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2013
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident LEP Not Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A</u>	<u>Reported on Workpapers</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
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	39.0	39.0		9.0	9.0	
Grade 1	20.0	20.0		5.0	5.0	
Grade 2	13.0	13.0		3.0	3.0	
Grade 3	15.0	15.0		4.0	4.0	
Grade 4	10.0	9.0		2.0	2.0	
Grade 5	18.0	18.0		4.0	4.0	
Grade 6	10.0	10.0		2.0	2.0	
Grade 7	11.0	11.0		3.0	3.0	
Grade 8	12.0	12.0		3.0	3.0	
Grade 9	21.0	21.0		5.0	5.0	
Grade 10	17.0	17.0		4.0	4.0	
Grade 11	16.0	16.0		4.0	4.0	
Grade 12	20.0	20.0	-	4.0	4.0	-
Subtotal	<u>222.0</u>	<u>221.0</u>	-	<u>52.0</u>	<u>52.0</u>	-
Sp Ed - Elementary	3.0	3.0		1.0	1.0	
Sp Ed - Middle School	2.0	2.0		1.0	1.0	
Sp Ed - High School	2.0	2.0	-	1.0	1.0	-
Subtotal	<u>7.0</u>	<u>7.0</u>	-	<u>3.0</u>	<u>3.0</u>	-
Totals	<u><u>229.0</u></u>	<u><u>228.0</u></u>	-	<u><u>55.0</u></u>	<u><u>55.0</u></u>	-
		<u>0.00%</u>			<u>0.00%</u>	

**PATERSON PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

SECTION 1

Calculation A: 2% Excess Surplus:

2013-14 Total General Fund Expenditures Reported on Exhibit C-1	\$ 484,114,345	
Add: Transfer to Special Revenue Fund - Preschool Program	2,602,962	
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2	<u>5,875,548</u>	
2013-14 Adjusted General Fund and Other State Expenditures		\$ 480,841,759
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>34,007,367</u>
Adjusted 2013-14 General Fund Expenditures		<u>\$ 446,834,392</u>
2% of Adjusted 2013-14 General Fund Expenditures		<u>\$ 8,936,688</u>
Enter Greater of 2% of Adjusted 2013-14 General Fund Expenditures or \$250,000	\$ 8,936,688	
Increased by: Allowable Adjustment*	<u>61,637</u>	
Maximum Unassigned Fund Balance		<u>\$ 8,998,325</u>

SECTION 2 - All Districts

Total General Fund - Fund Balances at June 30, 2014 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 74,084,708	
Decreased by:		
Year End Encumbrances	1,129,617	
Other Restricted Fund Balances **	15,490,858	
Restricted for Excess Surplus, Designated for Subsequent Year's Expenditures	6,013,102	
Assigned-Designated for Subsequent Year's Expenditures	<u>40,284,512</u>	
Total Unassigned Fund Balance		<u>\$ 11,166,619</u>

SECTION 3

Fund Balance - Excess Surplus \$ 2,168,294

Recapitulation of Excess Surplus as of June 30, 2014

Excess Surplus, Designated for Subsequent Year's Expenditures	\$ 6,013,102	
Excess Surplus	<u>2,168,294</u>	
Total		<u>\$ 8,181,396</u>

**PATERSON PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

***Detail of Allowable Adjustments**

Unbudgeted Extraordinary Aid	\$ -
Additional Nonpublic School Transportation Aid	<u>61,637</u>
	<u>\$ 61,637</u>

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

Capital Reserve	\$ 8,000,000
Maintenance Reserve - Designated for Subsequent Year's Expenditures	6,490,858
Emergency Reserve	<u>1,000,000</u>
	<u>\$ 15,490,858</u>

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2014

Encumbrances per the June 30, 2014 Board Secretary Report (General Fund) \$1,129,617

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 28,122	\$ 28,122	
Special Education Instruction			
School Sponsored Co-Curricular	37,664	37,664	
Student Support Services	101,133	101,133	
General Administration	17,932	17,932	
School Administration	520	520	
Central Services	262,231	262,231	
Operations and Maintenance	458,758	458,758	
Transportation			
Capital Outlay	223,257	223,257	-
	1,129,617	1,129,617	-

Total Encumbrances Cancelled During the Audit -

Assigned Fund Balance - Year End Encumbrances, June 30, 2014 \$ 1,129,617

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2014

Encumbrances per the June 30, 2014 Board Secretary Report (Special Revenue Fund)			\$989,140
Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 138,112	\$ 74,558	\$ 63,554
Special Education Instruction	12,858	-	12,858
Other Instruction	14,264	6,214	8,050
Student Support Services	354,756	72,558	282,198
Capital Outlay	469,150	9,158	459,992
	989,140	162,488	826,652
Total Encumbrances Cancelled During the Audit			826,652
Fund Balance - Year End Encumbrances, June 30, 2014 (Budgetary Basis)			\$ 162,488

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Outstanding purchase orders be reviewed at year end to determine appropriateness and any overstated balances be cancelled accordingly.
2. The allocation of employee salaries charged to federal grant programs be specifically presented by Board action and included in the official minutes on an annual basis.

III. School Purchasing Program

It is recommended that:

1. In all instances, purchases and contracts be made in accordance with approved District purchasing procedures to ensure confirming orders do not occur.
2. Payments to vendors be monitored to ensure cumulative payments do not exceed the amount approved in the contract award.

IV. School Food Services

There are none.

V. Student Body Activities

It is recommended that the District review and revise its student activity policy and procedures with respect to purchases made with the use of gift cards.

VI. Application for State School Aid

It is recommended that internal controls over the preparation of the ASSA be reviewed and enhanced to ensure that workpapers are maintained to support the number of students reported as attending Private Schools for the Disabled.

VII. Transportation

It is recommended that only those special education students who meet the remote mileage requirement or whose IEP reflects transportation as a requirement be reported on the DRTRS.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**RECOMMENDATIONS
(Continued)**

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

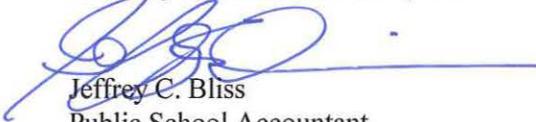
A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings.

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