

**PATERSON PUBLIC SCHOOLS
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2013**

**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, 2013, and have issued our report thereon dated November 18, 2013.

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
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Fair Lawn, New Jersey
November 18, 2013

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 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
Anthony C. Zambrano	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, 2013**

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.

- **Finding** – Our audit indicated there appears to be excess balances in the payroll agency, teacher salary and summer payment accounts at June 30, 2013.

Recommendation – A review be made of the various payroll accounts and any excess balances be appropriately cleared of record.

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.

- **Finding** – Our audit revealed certain old account receivables balances from prior years that appear uncollectible in the General and Capital Projects Funds at June 30, 2013.

Recommendation – Prior year accounts receivable balances in the General and Capital Projects Funds be reviewed and efforts be made to seek collection or otherwise be cancelled.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (continued)

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

- **Finding** – An audit adjustment was required to record the liability for worker compensation claims payable at year end as provided by the District's third party administrator. As a result, a budget line item overexpenditure was created at year end. As this overexpenditure was a result of an audit adjustment, no recommendation is deemed warranted.

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, 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.

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** – Our audit of the District's Home Instruction Program indicated that noncompliance with program requirements were noted as indicated in reports prepared by the District's internal audit department. Corrective action plans were prepared and approved by the District. The District continues to monitor the implementation of the corrective action plans; therefore no audit recommendation is warranted.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Financial Planning, Accounting and Reporting (Continued)

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 \$17,500. 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.

- **Finding** – Our audit of District expenditures indicated that certain payments were made for school supplies which exceeded the quote threshold for which quotes were not solicited in accordance with the Public Schools Contracts Law.

Recommendation – The District solicit quotes for purchases of school supplies which exceed the statutory threshold in accordance with the Public Schools Contracts Law.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

- **Finding** – Our audit revealed a contract entered into with an out of state university in the amount of \$414,700 for professional development services was not approved in the official District minutes as required by the Public Schools Contracts Law.

Recommendation – In all instances, contracts awarded by the District be approved in the official minutes as required by the Public Schools Contracts Law.

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.

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.

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 School No. 13 student activity account revealed certain check signatures did not appear to be consistent with the authorized signers.

Recommendation –Authorization signatures on checks issued from the School No. 13 student activity account be reviewed to ensure compliance with appropriate authorized signers.

- **Finding** – Our audit indicated instances where disbursements were made from certain student activity accounts for items which do not appear to be student related type activities.

Recommendation – Disbursements from student activity accounts be continually monitored to ensure funds are utilized only for student related type activities of the District.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2012 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** – Our audit indicated that certain students reflected on the District workpapers were not reported on the ASSA. We noted certain schools' grades reported on the workpapers were not reported on the ASSA.

Recommendation – Internal controls over the preparation of the ASSA be reviewed and enhanced to ensure that students reported on the ASSA reflect enrollments in the supporting workpapers.

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 2012-2013 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with immaterial exceptions noted. The results of our procedures noted differences for amounts tested which are presented in the Schedule of Audited Enrollments.

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.

- **Finding** – Our audit revealed that a contract has been awarded for a capital project at School No. 21 for which sufficient funds were not made available.
- **Recommendation** – The District seek approval to transfer funds into the Capital Projects Fund to fully fund a previously awarded contract for improvements at School No. 21.

Follow-up Prior Year Findings

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

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Suggestions to Management

- The District review the governmental activities construction-in-progress portion of its capital assets to determine completed, uncompleted and abandoned projects
- A resolution should be presented for approval by the Board to recognize the fact that audited legal costs exceeded 130% of the statewide average as published in the 2013 Taxpayer Guide to Education Spending and to report the control measures that will be implemented to reduce such costs, as appropriate.
- The resolution accepting the Board Secretary's and Treasurer's monthly financial reports be specific as to required certifications.

**PATERSON PUBLIC SCHOOLS
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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	117,203	8,602	8,602		\$ 0.29	
	Reduced	125,214	10,045	10,048	3	2.48	\$ 7.44
	Free	<u>3,045,060</u>	<u>208,598</u>	<u>208,595</u>	<u>(3)</u>	2.88	<u>(8.64)</u>
	Total Lunch	<u>3,287,477</u>	<u>227,245</u>	<u>227,245</u>	<u>-</u>		<u>(1.20)</u>
School Breakfast (Regular)	Paid	34,242	2,010	2,011	1	0.27	0.27
	Reduced	30,618	2,692	2,692	-	1.55	-
	Free	<u>1,037,799</u>	<u>85,504</u>	<u>85,504</u>	<u>-</u>	1.85	<u>-</u>
	Total Breakfast	<u>1,102,659</u>	<u>90,206</u>	<u>90,207</u>	<u>1</u>		<u>0.27</u>
School Snacks (Regular)	Free	<u>373,272</u>	<u>26,628</u>	<u>26,628</u>	<u>-</u>	0.78	<u>-</u>
	Total Breakfast	<u>373,272</u>	<u>26,628</u>	<u>26,628</u>	<u>-</u>		<u>-</u>
		<u>4,763,408</u>	<u>344,079</u>	<u>344,080</u>	<u>1</u>		<u>\$ (0.93)</u>

**PATERSON PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2012**

	2013-2014 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	Sample	Sample
	Original		Workpapers				Selected from		Register		Registers		A.S.S.A. as	for		
	A.S.S.A.		On Roll				Workpapers		On Roll		On Roll		Private	Verifi-		
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Errors	
Half Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (3yrs)	49	-	126	-	77	-	15	-	15	-	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)	68	-	143	-	75	-	31	-	31	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	2,331	-	2,344	-	13	-	18	-	18	-	-	-	-	-	-	-
Grade 1	2,301	-	2,322	-	21	-	79	-	79	-	-	-	-	-	-	-
Grade 2	2,092	-	2,105	-	13	-	57	-	57	-	-	-	-	-	-	-
Grade 3	1,958	-	1,970	-	12	-	47	-	48	1	-	-	-	-	-	-
Grade 4	1,895	-	1,901	-	6	-	63	-	63	-	-	-	-	-	-	-
Grade 5	1,835	-	1,877	-	42	-	61	-	61	-	-	-	-	-	-	-
Grade 6	1,836	-	1,844	-	8	-	46	-	46	-	-	-	-	-	-	-
Grade 7	1,731	-	1,739	-	8	-	41	-	41	-	-	-	-	-	-	-
Grade 8	1,732	-	1,740	-	8	-	222	-	222	-	-	-	-	-	-	-
Grade 9	1,506	-	1,505	-	(1)	-	65	-	65	-	-	-	-	-	-	-
Grade 10	1,442	-	1,442	-	-	-	197	-	197	-	-	-	-	-	-	-
Grade 11	847	-	847	-	-	-	72	-	72	-	-	-	-	-	-	-
Grade 12	1,100	-	1,098	-	(2)	-	114	-	114	-	-	-	-	-	-	-
Adult HS (15+Credits)	128	-	128	-	-	-	128	-	128	-	-	-	-	-	-	-
Subtotal	22,851	-	23,131	-	280	-	1,256	-	1,257	-	1	-	-	-	-	-
Sp Ed- Elementary	1,209	-	1,220	-	11	-	26	-	24	(2)	-	54	31	31	-	-
Sp Ed - Middle School	997	-	1,002	-	5	-	21	-	20	(1)	-	49	28	27	(1)	(1)
Sp Ed - High School	1,136	-	1,137	-	1	-	24	-	22	(2)	-	116	66	64	(2)	(2)
Subtotal	3,342	-	3,359	-	17	-	71	-	66	(5)	-	219	125	122	(3)	(3)
Totals	26,193	-	26,490	-	297	-	1,327	-	1,323	(4)	-	219	125	122	(3)	(3)
Percentage Error					1.13%	0.00%				-0.30%	0.00%					-2.40%

**PATERSON PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2012
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)	29.0	80.0	51.0	1.0	1.0	-	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)	43.0	104.0	61.0	1.0	1.0	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1,928.0	1,944.0	16.0	27.0	27.0	-	354.0	354.0	-	9.0	9.0	-
Grade 1	1,975.0	1,993.0	18.0	27.0	27.0	-	382.0	381.0	(1.0)	11.0	11.0	-
Grade 2	1,841.0	1,839.0	(2.0)	25.0	25.0	-	322.0	322.0	-	7.0	7.0	-
Grade 3	1,753.0	1,766.0	13.0	24.0	24.0	-	285.0	285.0	-	3.0	3.0	-
Grade 4	1,702.0	1,706.0	4.0	25.0	25.0	-	217.0	217.0	-	1.0	1.0	-
Grade 5	1,628.0	1,667.0	39.0	22.0	22.0	-	207.0	207.0	-	1.0	1.0	-
Grade 6	1,622.0	1,633.0	11.0	20.0	20.0	-	161.0	161.0	-	1.0	1.0	-
Grade 7	1,466.0	1,471.0	5.0	14.0	14.0	-	156.0	156.0	-	1.0	1.0	-
Grade 8	1,445.0	1,442.0	(3.0)	18.0	18.0	-	198.0	198.0	-	2.0	2.0	-
Grade 9	1,154.0	1,182.0	28.0	15.0	15.0	-	206.0	206.0	-	2.0	2.0	-
Grade 10	1,033.0	1,077.0	44.0	10.0	10.0	-	182.0	182.0	-	1.0	1.0	-
Grade 11	602.0	619.0	17.0	7.0	7.0	-	78.0	78.0	-	1.0	1.0	-
Grade 12	700.0	738.0	38.0	10.0	10.0	-	100.0	100.0	-	1.0	1.0	-
Subtotal	18,921.0	19,261.0	340.0	246.0	246.0	-	2,848.0	2,847.0	(1.0)	41.0	41.0	-
Sp Ed - Elementary	1,074.0	1,080.0	6.0	12.0	12.0	-	94.0	94.0	-	1.0	1.0	-
Sp Ed - Middle School	877.0	858.0	(19.0)	11.0	11.0	-	43.0	43.0	-	1.0	1.0	-
Sp Ed - High School	775.0	858.0	83.0	9.0	9.0	-	26.0	26.0	-	1.0	1.0	-
Subtotal	2,726.0	2,796.0	70.0	32.0	32.0	-	163.0	163.0	-	3.0	3.0	-
Totals	21,647.0	22,057.0	410.0	278.0	278.0	-	3,011.0	3,010.0	(1.0)	44.0	44.0	-

Percentage Error 1.89% 0.00% 0.03% 0.00%

Transportation

	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by County	DRTRS by District				
Reg. - Public Schools	2,118.0	2,119.0	1.0	163.0	161.0	(2.0)
Special Ed. - Public	939.0	939.0	-	72.0	70.0	(2.0)
Transported - Non - Public	447.0	447.0	-	35.0	35.0	-
Special Needs - Public	418.0	424.0	6.0	33.0	33.0	-
Subtotal	3,922.0	3,929.0	7.0	303.0	299.0	(4.0)

Percentage Error 0.00 -1%

**PATERSON PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2012
SCHEDULE OF AUDITED ENROLLMENTS**

	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	51.0	51.0	-	4.0	4.0	-
Grade 1	64.0	64.0	-	5.0	5.0	-
Grade 2	46.0	46.0	-	4.0	4.0	-
Grade 3	27.0	27.0	-	2.0	2.0	-
Grade 4	30.0	30.0	-	3.0	3.0	-
Grade 5	25.0	25.0	-	2.0	2.0	-
Grade 6	27.0	27.0	-	2.0	2.0	-
Grade 7	43.0	43.0	-	3.0	3.0	-
Grade 8	41.0	41.0	-	3.0	3.0	-
Grade 9	54.0	54.0	-	4.0	4.0	-
Grade 10	67.0	67.0	-	6.0	6.0	-
Grade 11	22.0	22.0	-	2.0	2.0	-
Grade 12	61.0	61.0	-	5.0	5.0	-
Subtotal	558.0	558.0	-	45.0	45.0	-
Sp Ed - Elementary	4.0	4.0	-	1.0	1.0	-
Sp Ed - Middle School	6.0	6.0	-	1.0	1.0	-
Sp Ed - High School			-	-	-	-
Subtotal	10.0	10.0	-	2.0	2.0	-
Totals	568.0	568.0	-	47.0	47.0	-
			<u>0.00%</u>			<u>0.00%</u>

**PATERSON PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

SECTION 1

Calculation A: 2% Excess Surplus:

2012-13 Total General Fund Expenditures Reported on Exhibit C-1	\$ 490,883,177
Add: Transfer to Special Revenue Fund - Preschool Program	1,935,000
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2	<u>6,503,881</u>
2012-13 Adjusted General Fund and Other State Expenditures	\$ 486,314,296
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>39,562,327</u>
Adjusted 2012-13 General Fund Expenditures	<u>\$ 446,751,969</u>
2% of Adjusted 2012-13 General Fund Expenditures	<u>\$ 8,935,039</u>
Enter Greater of 2% of Adjusted 2012-13 General Fund Expenditures or \$250,000	\$ 8,935,039
Increased by: Allowable Adjustment*	<u>2,268,356</u>
Maximum Unassigned Fund Balance	<u>\$ 11,203,395</u>

SECTION 2 - All Districts

Total General Fund - Fund Balances at June 30, 2013 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 69,987,244
Decreased by:	
Year End Encumbrances	334,640
Other Restricted Fund Balances **	19,391,357
Restricted for Excess Surplus, Designated for Subsequent Year's Expenditures	10,239,761
Assigned-Designated for Subsequent Year's Expenditures	<u>22,804,989</u>
Total Unassigned Fund Balance	<u>\$ 17,216,497</u>

SECTION 3

Fund Balance - Excess Surplus	<u>\$ 6,013,102</u>
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Recapitulation of Excess Surplus as of June 30, 2013

Excess Surplus, Designated for Subsequent Year's Expenditures	\$ 10,239,761
Excess Surplus	<u>6,013,102</u>
Total	<u>\$ 16,252,863</u>

**PATERSON PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(Continued)**

***Detail of Allowable Adjustments**

Extraordinary Aid	\$ 2,212,645
Additional Nonpublic School Transportation Aid	<u>55,711</u>
	<u>\$ 2,268,356</u>

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

Capital Reserve	\$ 2,000,000
Maintenance Reserve	12,490,858
Emergency Reserve	1,000,000
Tuition Reserve, Designated for Subsequent Year's Expenditures	<u>3,900,499</u>
	<u>\$ 19,391,357</u>

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2013

Encumbrances per the June 30, 2013 Board Secretary Report (General Fund) \$334,640

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 12,194	\$ 12,194	
Special Education Instruction	-	-	
School Sponsored Co-Curricular	-	-	
Student Support Services	644	644	
General Administration	-	-	
Central Services	131,173	131,173	
Operations and Maintenance	190,629	190,629	
Transportation	-	-	
Capital Outlay	-	-	-
	334,640	334,640	-

Total Encumbrances Cancelled During the Audit

-

Committed and Assigned Fund Balance - Year End Encumbrances, June 30, 2013

\$ 334,640

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2013

Encumbrances per the June 30, 2013 Board Secretary Report (Special Revenue Fund)			\$644,825
Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 242,818	\$ 242,818	
Special Education Instruction	4,991	4,991	
Other Instruction	103,957	103,957	
Student Support Services	293,059	293,059	
	644,825	644,825	-
Total Encumbrances Cancelled During the Audit			-
Fund Balance - Year End Encumbrances, June 30, 2013 (Budgetary Basis)			\$ 644,825

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. A review be made of the various payroll accounts and any excess balances be appropriately cleared of record.
2. Prior Year accounts receivable balances in the General and Capital Projects Funds be reviewed and efforts be made to seek collection or otherwise be cancelled.

III. School Purchasing Program

It is recommended that:

1. The District solicit quotes for purchases of school supplies which exceed the statutory threshold in accordance with the Public Schools Contracts Law.
2. In all instances, contracts awarded by the District be approved in the official minutes as required by the Public Schools Contracts Law.

IV. School Food Services

There are none.

V. Student Body Activities

It is recommended that:

1. Authorization signatures on checks issued from the School No. 13 student activity account be reviewed to ensure compliance with the authorized signers.
2. Disbursements from student activity accounts be continually monitored to ensure funds are utilized only for student related activities of the District.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**RECOMMENDATIONS
(Continued)**

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 students reported on the ASSA reflect enrollments in the supporting workpapers.

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

It is recommended that the District seek approval to transfer funds into the Capital Projects Fund to fully fund a previously awarded contract for improvements at School No. 21.

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