

**PATERSON PUBLIC SCHOOLS  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2015**

**PATERSON PUBLIC SCHOOLS  
TABLE OF CONTENTS**

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS  
- FINANCIAL, COMPLIANCE AND PERFORMANCE**

	<u>Page No.</u>
Report of Independent Auditor's	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	5
Food Service Fund	6
Student Body Activities	6
Application for State School Aid	7
Pupil Transportation	7
Facilities and Capital Assets	7
Follow-Up Prior Year Findings	8
Suggestions to Management	8
Schedule of Meal Count Activity	9
Net Cash Resource Schedule	10
Schedule of Audited Enrollments	11-13
Calculation of Excess Surplus	14-15
Encumbrances	16-17
Recommendations	18-19
Acknowledgement	19



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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, 2015, and have issued our report thereon dated December 11, 2015.

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  
December 11, 2015

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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
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 \$100,000 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.

- **Finding** – Our audit indicated that retroactive salary payments calculated by the payroll system were not verified prior to payment and certified by District personnel.

**Recommendation** – Retroactive salary amounts calculated by the payroll system be verified prior to payment and be certified by District personnel.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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.

- **Finding (CAFR Finding 2015-001)** – Our audit indicated certain outstanding purchase order balances reported as accounts payable were not liquidated subsequent to year end and appear to be overstated.

**Recommendation** – Continued efforts be made to ensure outstanding purchase orders are reviewed at year end to determine appropriateness and any overstated balances be cancelled accordingly.

- **Finding (CAFR Finding 2015-002)** - Our audit indicated that certain liabilities incurred for transportation services were not accrued on the financial records of the District at year end.

**Recommendation** – Procedures be implemented to ensure purchase orders are issued and encumbered when contracts are awarded for transportation services.

**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.

- **Finding** – Our audit indicated that two (2) budgetary line items related to transportation expenditures were overexpended at year end. These overexpenditures were the result of an audit adjustment related to unrecorded liabilities for transportation services. Since a recommendation was made regarding the cause of these overexpenditures no audit recommendation is warranted regarding this finding.

**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, 2015**

**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 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.

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.

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 60 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, 2015**

**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.

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** – With respect to contracts awarded on a per unit or hourly labor rate basis, our audit indicated the following:
  - Hourly rates charged to the District for security and fire services were not always reflected in the approved contract.
  - Costs charged to the district for individual food items were not always in agreement with amounts reflected in the contract. In addition, the lowest bidder for individual items was not always utilized.
  - Transportation invoice included charges for a route which was not included in the approved contract.
  - Reimbursements for transportation charges on a professional service contract were not made in accordance with the terms of the approved contract.

**Recommendation** – Greater care be exercised to ensure purchases from vendors under per unit or labor rate contract awards are made in strict accordance with the approved bid awards or contracts, or contracts be amended to reflect all applicable costs and/or rates.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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.

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.

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 indicated certain disbursements from the Silk City and YES Academy student activity accounts were not supported by adequate documentation (ie – vendor invoice).

**Recommendation** – In all instances, disbursements made from student activity accounts be supported by a vendor invoice.

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

**Recommendation** – Internal controls over student activity account disbursements be reviewed and enhanced to ensure funds are utilized only for student related activities.



**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2014 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 2015-003)** – Our audit of the ASSA indicated that the District did not maintain workpapers that summarized the student counts reported in the various categories on the ASSA.

**Recommendation** – Internal controls over the preparation of the ASSA be reviewed and enhanced to ensure that workpapers utilized when preparing the report are summarized by category, retained and made available for audit.

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 2014-15 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.

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.

**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 indicated that receivables due from the School Development Authority for completed projects remain uncollected in the Capital Projects Fund.

**Recommendation** – Efforts be made to collect outstanding grant receivable balances due from the New Jersey School Development Authority in the Capital Projects Fund

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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.
- District follow-up on submission to the State Division of Pensions the payroll deductions for employee pension contributions related to retroactive salary payments.
- In accordance with NJAC 6A:23A-5.2(a)(3), the District have a resolution or memorandum to acknowledge that the District exceeds 130% of the statewide average for legal costs and to implement specific internal controls for the reduction of costs or to provide evidence that such procedures would not result in a reduction of costs.

**PATERSON PUBLIC SCHOOLS  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NOT APPLICABLE**

**PATERSON PUBLIC SCHOOLS  
FOOD SERVICE FUND  
NET CASH RESOURCE SCHEDULE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**NET CASH RESOURCES SCHEDULE**

**Net Cash Resources**

**Current Assets**

Cash and Cash Equivalents	\$	1,879,088
Intergovernmental Accounts Receivable		3,006,452

**Current Liabilities**

Accounts Payable		(158,258)
Accrued Salaries and Wages		(38,073)
Due to Other Funds		(2,410,368)

**Net Cash Resources** **\$ 2,278,841 (A)**

**Operating Expenditures**

Total Operating Expenditures		16,326,907
Less Depreciation		(80,994)
Less USDA Commodities		(870,598)

**Adjusted Total Operating Expenditures** **\$ 15,375,315 (B)**

**Average Monthly Operating Expense:**

**B / 10** **\$ 1,537,531.50 (C)**

**Three times monthly Average:**

**C x 3** **\$ 4,612,594.50 (D)**

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TOTAL IN BOX A	\$	2,278,841
LESS TOTAL IN BOX D	\$	<u>4,612,595</u>
NET	\$	<u>-</u>

**PATERSON BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2014**

	2014-2015 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on Original 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	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)	217	-	217	-	-	-	14	-	14	-	-	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)	283	-	278	-	(5)	-	79	-	98	-	19	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	2,125	-	2,131	-	6	-	67	-	66	-	(1)	-	-	-	-	-	-
Grade 1	2,022	-	1,975	-	(47)	-	8	-	8	-	-	-	-	-	-	-	-
Grade 2	2,028	-	1,958	-	(70)	-	82	-	83	-	1	-	-	-	-	-	-
Grade 3	1,961	-	1,892	-	(69)	-	85	-	87	-	2	-	-	-	-	-	-
Grade 4	1,741	-	1,713	-	(28)	-	37	-	37	-	-	-	-	-	-	-	-
Grade 5	1,621	-	1,618	-	(3)	-	46	-	48	-	2	-	-	-	-	-	-
Grade 6	1,558	-	1,562	-	4	-	60	-	67	-	7	-	-	-	-	-	-
Grade 7	1,619	-	1,614	-	(5)	-	52	-	52	-	-	-	-	-	-	-	-
Grade 8	1,714	-	1,708	-	(6)	-	268	-	263	-	(5)	-	-	-	-	-	-
Grade 9	1,227	-	1,319	-	92	-	62	-	66	-	4	-	-	-	-	-	-
Grade 10	1,299	-	1,373	-	74	-	120	-	134	-	14	-	-	-	-	-	-
Grade 11	1,181	-	1,256	-	75	-	130	-	127	-	(3)	-	-	-	-	-	-
Grade 12	1,144	-	1,198	-	54	-	118	-	118	-	-	-	-	-	-	-	-
Adult HS (15+Credits)	192	-	-	-	(192)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	21,932	-	21,812	-	(120)	-	1,228	-	1,268	-	40	-					
Sp Ed - Elementary	1,255	-	1,394	-	139	-	32	-	43	-	11	-	85	45	45	-	-
Sp Ed - Middle School	913	-	914	-	1	-	41	-	44	-	3	-	56	30	30	-	-
Sp Ed - High School	1,068	-	905	-	(163)	-	40	-	40	-	-	-	113	60	60	-	-
Subtotal	3,236	-	3,213	-	(23)	-	113	-	127	-	14	-	254	135	135	-	-
Totals	25,168	-	25,025	-	(143)	-	1,341	-	1,395	-	54	-	254	135	135	-	-
Percentage Error					<u>-0.57%</u>	<u>0.00%</u>					<u>4.03%</u>	<u>0.00%</u>					<u>0.00%</u>

**PATERSON BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2014  
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	1,652.0	1,488.0	(164.0)	23.0	23.0	-	297.0	329.0	32.0	35.0	35.0	-
Grade 1	1,940.0	1,841.0	(99.0)	27.0	27.0	-	285.0	308.0	23.0	33.0	33.0	-
Grade 2	1,972.0	1,840.0	(132.0)	27.0	27.0	-	298.0	291.0	(7.0)	31.0	31.0	-
Grade 3	1,911.0	1,788.0	(123.0)	26.0	26.0	-	283.0	158.0	(125.0)	17.0	17.0	-
Grade 4	1,696.0	1,559.0	(137.0)	23.0	23.0	-	160.0	158.0	(2.0)	17.0	17.0	-
Grade 5	1,606.0	1,485.0	(121.0)	22.0	22.0	-	141.0	141.0	-	15.0	15.0	-
Grade 6	1,457.0	1,407.0	(50.0)	20.0	20.0	-	163.0	163.0	-	17.0	17.0	-
Grade 7	1,373.0	1,448.0	75.0	19.0	19.0	-	138.0	172.0	34.0	18.0	18.0	-
Grade 8	1,275.0	1,492.0	217.0	17.0	17.0	-	153.0	189.0	36.0	20.0	20.0	-
Grade 9	1,126.0	1,399.0	273.0	15.0	15.0	-	209.0	215.0	6.0	23.0	23.0	-
Grade 10	1,157.0	1,107.0	(50.0)	16.0	16.0	-	157.0	158.0	1.0	17.0	17.0	-
Grade 11	1,002.0	979.0	(23.0)	14.0	14.0	-	152.0	150.0	(2.0)	16.0	16.0	-
Grade 12	978.0	935.0	(43.0)	13.0	13.0	-	149.0	148.0	(1.0)	16.0	16.0	-
Subtotal	19,145.0	18,768.0	(377.0)	262.0	262.0	-	2,585.0	2,580.0	(5.0)	275.0	275.0	-
Sp Ed - Elementary	1,168.0	1,189.0	21.0	16.0	16.0	-	86.0	83.0	(3.0)	16.0	16.0	-
Sp Ed - Middle School	838.0	944.0	106.0	11.0	11.0	-	36.0	40.0	4.0	16.0	16.0	-
Sp Ed - High School	959.0	1,035.0	76.0	13.0	13.0	-	30.0	34.0	4.0	16.0	16.0	-
Subtotal	2,965.0	3,168.0	203.0	40.0	40.0	-	152.0	157.0	5.0	48.0	48.0	-
Totals	22,110.0	21,936.0	(174.0)	302.0	302.0	-	2,737.0	2,737.0	-	323.0	323.0	-
Percentage Error			<u>-0.79%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	2,616.0	2,630.0	14.0	170.0	170.0	-
Special Ed. - Public	277.0	275.0	(2.0)	18.0	18.0	-
Transported - Non - Public	174.0	173.0	(1.0)	12.0	12.0	-
Special Needs - Public	1,542.0	1,523.0	(19.0)	103.0	103.0	-
	4,609.0	4,601.0	(8.0)	303.0	303.0	-
Percentage Error			<u>(0.00)</u>			<u>0%</u>

**PATERSON BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 15, 2014  
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	179.0	141.0	(38.0)	9.0	9.0	-
Grade 1	83.0	47.0	(36.0)	5.0	5.0	-
Grade 2	65.0	46.0	(19.0)	3.0	2.0	(1.0)
Grade 3	58.0	35.0	(23.0)	4.0	4.0	-
Grade 4	46.0	41.0	(5.0)	2.0	2.0	-
Grade 5	38.0	28.0	(10.0)	4.0	4.0	-
Grade 6	47.0	41.0	(6.0)	2.0	2.0	-
Grade 7	69.0	37.0	(32.0)	3.0	3.0	-
Grade 8	74.0	43.0	(31.0)	3.0	3.0	-
Grade 9	47.0	46.0	(1.0)	5.0	5.0	-
Grade 10	57.0	58.0	1.0	4.0	4.0	-
Grade 11	44.0	44.0	-	4.0	4.0	-
Grade 12	26.0	27.0	1.0	4.0	4.0	-
Subtotal	<u>833.0</u>	<u>634.0</u>	<u>(199.0)</u>	<u>52.0</u>		<u>(1.0)</u>
Sp Ed - Elementary	10.0	15.0	5.0	1.0	1.0	-
Sp Ed - Middle School	5.0	5.0	-	1.0	1.0	-
Sp Ed - High School	2.0	4.0	2.0	1.0	1.0	-
Subtotal	<u>17.0</u>	<u>24.0</u>	<u>7.0</u>	<u>3.0</u>	<u>3.0</u>	<u>-</u>
Totals	<u>850.0</u>	<u>658.0</u>	<u>(192.0)</u>	<u>55.0</u>	<u>3.0</u>	<u>(1.0)</u>
			<u>22.59%</u>			<u>1.82%</u>

**PATERSON PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION 1**

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

2014-15 Total General Fund Expenditures Reported on Exhibit C-1	\$ 522,740,455
Add: Transfer to Special Revenue Fund - Preschool Program	2,904,807
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2	<u>6,821,305</u>
2014-15 Adjusted General Fund and Other State Expenditures	\$ 518,823,957
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>40,482,201</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$ 478,341,756</u>
2% of Adjusted 2014-15 General Fund Expenditures	<u>\$ 9,566,835</u>
Enter Greater of 2% of Adjusted 2014-15 General Fund Expenditures or \$250,000	\$ 9,566,835
Increased by: Allowable Adjustment*	<u>86,868</u>
Maximum Unassigned Fund Balance	<u>\$ 9,653,703</u>

**SECTION 2 - All Districts**

Total General Fund - Fund Balances at June 30, 2015 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 43,570,129
Decreased by:	
Year End Encumbrances	435,028
Other Restricted Fund Balances **	9,000,000
Restricted for Excess Surplus, Designated for Subsequent Year's Expenditures	2,168,294
Assigned-Designated for Subsequent Year's Expenditures	<u>25,000,000</u>
Total Unassigned Fund Balance	<u>\$ 6,966,807</u>

**SECTION 3**

<b>Fund Balance - Excess Surplus</b>	<u>\$ -</u>
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**Recapitulation of Excess Surplus as of June 30, 2015**

Excess Surplus, Designated for Subsequent Year's Expenditures	\$ 2,168,294
Excess Surplus	<u>-</u>
Total	<u>\$ 2,168,294</u>



**PATERSON PUBLIC SCHOOLS  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
(Continued)**

**\*Detail of Allowable Adjustments**

Additional Nonpublic School Transportation Aid	\$ <u>86,868</u>
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**\*\*Detail of Other Restricted Fund Balance**

Capital Reserve	\$ 3,182,000
Capital Reserve - Designated for Subsequent Year's Expenditures	4,818,000
Emergency Reserve	<u>1,000,000</u>
	<u>\$ 9,000,000</u>

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2015**

Encumbrances per the June 30, 2015 Board Secretary Report (General Fund) \$435,028

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Regular Instruction	\$ 2,248	\$ 2,248	
Other Instruction	249	249	
School Sponsored Co-Curricular	14,071	14,071	
General Administration	224,830	224,830	
School Administration	2,895	2,895	
Central Services	34,428	34,428	
Operations and Maintenance	156,307	156,307	-
	435,028	435,028	-
Total Encumbrances Cancelled During the Audit			-
Assigned Fund Balance - Year End Encumbrances, June 30, 2015			\$ 435,028

**PATERSON PUBLIC SCHOOLS**  
**Encumbrances**  
**For the Fiscal Year Ended June 30, 2015**

Encumbrances per the June 30, 2015 Board Secretary Report (Special Revenue Fund) \$433,101

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Other Instruction	\$ 23,007	\$ 23,007	-
Student Support Services	410,094	410,094	-
	433,101	433,101	-

Total Encumbrances Cancelled During the Audit           -

Fund Balance - Year End Encumbrances, June 30, 2015 (Budgetary Basis)       \$ 433,101

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

It is recommended that:

1. Retroactive salary amounts calculated by the payroll system be verified prior to payment and be certified by District personnel.
- \* 2. Continued efforts be made to ensure outstanding purchase orders are reviewed at year end to determine appropriateness and any overstated balances be cancelled accordingly.
3. Procedures be implemented to ensure purchase orders are issued and encumbered when contracts are awarded for transportation services.

**III. School Purchasing Program**

It is recommended that greater care be exercised to ensure purchases from vendors under per unit or labor rate contract awards are made in strict accordance with the approved bid awards or contracts, or contracts be amended to reflect all applicable costs and/or rates.

**IV. School Food Services**

There are none.

**V. Student Body Activities**

It is recommended that:

1. In all instances, disbursements made from student activity accounts be supported by a vendor invoice.
2. Internal controls over student activity account disbursements be reviewed and enhanced to ensure funds are utilized only for student related activities.

**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 utilized when preparing the report are summarized by category, retained and made available for audit.

**VII. Transportation**

There are none.

**PATERSON PUBLIC SCHOOLS  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**RECOMMENDATIONS  
(Continued)**

**VIII. Facilities and Capital Assets**

It is recommended that efforts be made to collect outstanding grant receivable balances due from the New Jersey School Development Authority in the Capital Projects Fund.

**IX. Miscellaneous**

There are none.

**X. Status of Prior Years' Audit Findings/Recommendations**

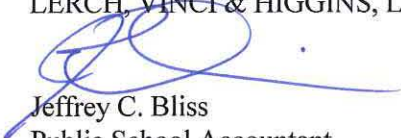
A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings other than those denoted with an asterisk (\*).

**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