

**PATERSON PUBLIC SCHOOLS
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

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

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

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, 2017, and have issued our report thereon dated November 27, 2017.

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 27, 2017

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

- **Finding** – Our audit of the District’s personnel department revealed deficiencies were noted as indicated in a report prepared by the District’s internal audit department with respect to the hiring practices and procedures of the District. A corrective action plan was prepared and approved by the District with respect to these findings, therefore no recommendation is warranted.

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Donnie W. Evans	State District Superintendent	\$ 85,000
Fabiana M. Mello	Treasurer of School Monies	\$2,000,000

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

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

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

- **Finding (CAFR Finding 2017-001)** - Our audit revealed that a check issued in the amount of \$3,636,399 was made payable to a vendor that differed from the vendor listed on the purchase order and check register as reflected in the District’s financial accounting and reporting system. In addition, we noted these two vendors were listed with the same vendor account code under the vendor reflected on the purchase order and check register.

Recommendation – Internal controls over the District’s financial accounting and reporting system be reviewed and revised to ensure that the ability to issue checks made payable to a vendor other than the vendor listed on the purchase order be discontinued.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

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.

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

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents and business administrator) to the NJ Department of Treasury was filed.

- **Finding** – Our audit of the District's payroll revealed minor discrepancies were noted as indicated in a report prepared by the District's internal audit department with respect to employee overtime expenditures. A corrective action plan was prepared and approved by the District with respect to these findings, therefore no recommendation is warranted.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23-8.2. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

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

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

Treasurer's Records

The Treasurer did perform reconciliations for all required accounts.

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

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800. The Board designated the District Purchasing Agent as the Qualified Purchasing Agent.

The District has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

The results of our examination did not indicate any individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that purchases were made through the use of State contracts.

Food Service Fund

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

All District schools have been approved to participate in the Community Eligibility Program (CEP). All students attending CEP schools receive free meals through the Child Nutrition Program.

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

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

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Food Service Fund (Continued)

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.

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.

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.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

The Statement of Revenues, Expenses and Changes in Net Position does separate program and non-program revenue and program and non-program costs of goods sold.

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.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 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 2017-002)** - Our audit indicated that the number of students reported as low income on the ASSA was not in agreement with the District's supporting workpapers.

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

- **Finding (CAFR Finding 2017-002)** - Our audit of low income students reported on the ASSA indicated certain instances where a valid household information survey could not be provided for audit.

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

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, 2017**

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2016-17 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures noted differences for amounts tested which are presented in the Schedule of Audited Enrollments.

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 of the District's capital assets revealed minor deficiencies were noted as indicated in a report prepared by the District's internal audit department with respect to the acquisition and maintenance of District capital assets. A corrective action plan was prepared and approved by the District with respect to these findings, therefore no recommendation is warranted.

Follow-up Prior Year Findings

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

Suggestion to Management

- The balances in the payroll accounts be reviewed and any excess balances be transferred to the general fund.

**PATERSON PUBLIC SCHOOLS
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
National School Lunch (High Rate)	Paid					\$ 0.32	
	Reduced					2.78	
	Free	<u>3,265,762</u>	<u>1,431,822</u>	<u>1,431,822</u>	<u>-</u>	3.18	<u>\$ -</u>
	Total	<u>3,265,762</u>	<u>1,431,822</u>	<u>1,431,822</u>	<u>-</u>		<u>\$ -</u>
	HHFKA-PB Lunch Only	<u>3,265,762</u>	<u>1,431,822</u>	<u>1,431,822</u>	<u>-</u>	0.06	<u>-</u>
School Breakfast (Severe Need Rates)	Paid					0.29	
	Reduced					1.74	
	Free	<u>3,167,897</u>	<u>1,394,139</u>	<u>1,394,139</u>	<u>-</u>	2.04	<u>-</u>
	Total	<u>3,167,897</u>	<u>1,394,139</u>	<u>1,394,139</u>	<u>-</u>		<u>-</u>
After School Snacks (Regular)	Free	<u>251,920</u>	<u>121,987</u>	<u>121,987</u>	<u>-</u>	0.86	
	Total	<u>251,920</u>	<u>121,987</u>	<u>121,987</u>	<u>-</u>		<u>-</u>
Total Net Overclaim							<u>\$ -</u>

**PATERSON PUBLIC SCHOOLS
 FOOD SERVICE FUND
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - STATE
 ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF MEAL COUNT ACTIVITY

<u>Program</u>	<u>Meals Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
State Reimbursement - National School Lunch (High Rate)	Paid					\$ 0.04	
	Reduced					0.06	
	Free	<u>3,265,762</u>	<u>1,431,822</u>	<u>1,431,822</u>	<u>-</u>	0.06	<u>\$ -</u>
	Total	<u>3,265,762</u>	<u>1,431,822</u>	<u>1,431,822</u>	<u>-</u>		<u>\$ -</u>
Total Net Overclaim						<u>\$ -</u>	

**PATERSON PUBLIC SCHOOLS
FOOD SERVICE FUND
NET CASH RESOURCE SCHEDULE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NET CASH RESOURCES SCHEDULE

Net Cash Resources

Current Assets

Cash and Cash Equivalents	\$	1,149,674
Intergovernmental Accounts Receivable		3,605,987

Current Liabilities

Accounts Payable		(790,746)
Accrued Salaries and Wages		(72,821)
Due to Other Funds		(1,515,793)

Net Cash Resources	\$	<u>2,376,301</u>	(A)
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Operating Expenditures

Total Operating Expenditures		19,621,758
Less Depreciation		(123,374)
Less USDA Commodities		(958,841)

Adjusted Total Operating Expenditures	\$	<u>18,539,543</u>	(B)
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Average Monthly Operating Expense:

B / 10	\$	<u>1,853,954</u>	(C)
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Three times monthly Average:

C x 3	\$	<u>5,561,863</u>	(D)
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TOTAL IN BOX A	\$	2,376,301
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LESS TOTAL IN BOX D	\$	<u>5,561,863</u>
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NET	\$	<u>-</u>
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**PATERSON PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Reported on Work papers a Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared						
Half Day Pre K (3yrs)																		
Full Day Pre K (3yrs)	236		236					22		21		(1)						
Half Day Pre K (4yrs)																		
Full Day Pre K (4yrs)	306		306					21		22		1						
Half Day Kindergarten																		
Full Day Kindergarten	2,032		2,032					19		19								
Grade 1	2,024		2,024					55		55								
Grade 2	1,932		1,932					52		68		16						
Grade 3	1,874		1,874					48		48								
Grade 4	1,863		1,863					65		65								
Grade 5	1,778		1,778					54		54								
Grade 6	1,623		1,623					152		162		10						
Grade 7	1,613		1,613					47		46		(1)						
Grade 8	1,555		1,555					36		35		(1)						
Grade 9	1,382		1,382					104		104								
Grade 10	1,376		1,376					7		7								
Grade 11	1,259		1,260			1		59		59								
Grade 12	1,222		1,223			1		34		37		3						
Adult HS (15+Credits)	175		175															
Adult High School (1-14)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal	22,250	-	22,252	-		2	-	775	-	802	-	27	-	-	-	-	-	
Sp Ed- Elementary	1,337		1,336			(1)		47		45		(2)		71	99	18	15	(3)
Sp Ed - Middle School	884		884					60		59		(1)		36	54	9	9	-
Sp Ed - High School	1,082	-	1,082	-		-	-	88	-	88	-	-	-	122	168	26	22	(4)
Subtotal	3,303	-	3,302	-		(1)	-	195	-	192	-	(3)	-	229	321	53	46	(7)
Totals	25,553	-	25,554	-		1	-	970	-	994	-	24	-	229	321	53	46	(7)
Percentage Error						<u>0.00%</u>	<u>0.00%</u>					<u>2.47%</u>	<u>0.00%</u>					<u>-13.21%</u>

**PATERSON PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	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	2,112	1,873	(239.0)	28	22	(6.0)	412	406	(6.0)	24	19	(5.0)
Grade 1	2,062	1,875	(187.0)	27	25	(2.0)	407	427	20.0	24	24	
Grade 2	1,960	1,771	(189.0)	26	23	(3.0)	361	356	(5.0)	21	18	(3.0)
Grade 3	1,887	1,716	(171.0)	25	21	(4.0)	274	269	(5.0)	16	16	
Grade 4	1,892	1,723	(169.0)	25	24	(1.0)	242	232	(10.0)	14	9	(5.0)
Grade 5	1,792	1,622	(170.0)	24	19	(5.0)	220	215	(5.0)	13	12	(1.0)
Grade 6	1,649	1,453	(196.0)	22	16	(6.0)	172	169	(3.0)	10	10	
Grade 7	1,613	1,438	(175.0)	21	14	(7.0)	256	251	(5.0)	15	13	(2.0)
Grade 8	1,540	1,365	(175.0)	20	16	(4.0)	235	233	(2.0)	14	12	(2.0)
Grade 9	1,211	1,181	(30.0)	16	15	(1.0)	276	284	8.0	16	12	(4.0)
Grade 10	1,205	1,142	(63.0)	16	14	(2.0)	228	227	(1.0)	14	10	(4.0)
Grade 11	1,077	1,028	(49.0)	14	9	(5.0)	198	200	2.0	12	11	(1.0)
Grade 12	991	954	(37.0)	13	4	(9.0)	150	152	2.0	9	7	(2.0)
Subtotal	20,991.0	19,141.0	(1,850.0)	277.0	222.0	(55.0)	3,431.0	3,421.0	(10.0)	202.0	173.0	(29.0)
Sp Ed - Elementary	1,404	1,237	(167.0)	20	19	(1.0)	184	123	(61.0)	11	10	(1.0)
Sp Ed - Middle School	897	807	(90.0)	12	8	(4.0)	43	43	-	3	3	-
Sp Ed - High School	950	917	(33.0)	13	9	(4.0)	29	29	-	2	1	(1.0)
Subtotal	3,251.0	2,961.0	(290.0)	45.0	36.0	(9.0)	256.0	195.0	(61.0)	16.0	14.0	(2.0)
Totals	24,242.0	22,102.0	(2,140.0)	322.0	258.0	(64.0)	3,687.0	3,616.0	(71.0)	218.0	187.0	(31.0)
Percentage Error			<u>-8.83%</u>			<u>-19.88%</u>			<u>1.93%</u>			<u>-14.22%</u>

	Transportation					
	Reported on DRTRS by County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	3,393.0	3,393		206	206	
Special Ed. - Public	138.0	138		8	8	
Transported - Non - Public	52.0	52		3	3	
Special Needs - Public	1,547.0	1,547	-	94	84	(10.0)
	5,130.0	5,130.0	-	311.0	301.0	(10.0)
Percentage Error			<u>-</u>			<u>-3%</u>

**PATERSON BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	<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	50	47	(3.0)	7	7	
Grade 1	50	49	(1.0)	7	7	
Grade 2	41	36	(5.0)	6	6	
Grade 3	35	36	1.0	5	5	
Grade 4	43	44	1.0	6	6	
Grade 5	27	24	(3.0)	4	4	
Grade 6	31	31		5	5	
Grade 7	33	33		5	5	
Grade 8	43	43		6	6	
Grade 9	64	55	(9.0)	9	9	
Grade 10	53	53		8	8	
Grade 11	49	48	(1.0)	7	7	
Grade 12	45	41	(4.0)	7	7	-
Subtotal	<u>564.0</u>	<u>540.0</u>	<u>(24.0)</u>	<u>82.0</u>	<u>82.0</u>	-
Sp Ed - Elementary	10	6	(4.0)	2	2	
Sp Ed - Middle School	3		(3.0)			
Sp Ed - High School	6	4	(2.0)	1	1	-
Subtotal	<u>19.0</u>	<u>10.0</u>	<u>(9.0)</u>	<u>3.0</u>	<u>3.0</u>	-
Totals	<u><u>583.0</u></u>	<u><u>550.0</u></u>	<u><u>(33.0)</u></u>	<u><u>85.0</u></u>	<u><u>85.0</u></u>	-
			<u><u>5.66%</u></u>			<u><u>0.00%</u></u>

**PATERSON PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1

Calculation A: 2% Excess Surplus:

2016-17 Total General Fund Expenditures Reported on Exhibit C-1	\$ 515,073,134
Add: Transfer to Special Revenue Fund - Preschool Program	2,536,583
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2	<u>6,488,351</u>
2016-17 Adjusted General Fund and Other State Expenditures	\$ 511,121,366
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>52,523,462</u>
Adjusted 2016-17 General Fund Expenditures	<u>\$ 458,597,904</u>
2% of Adjusted 2016-17 General Fund Expenditures	<u>\$ 9,171,958</u>
Enter Greater of 2% of Adjusted 2016-17 General Fund Expenditures or \$250,000	\$ 9,171,958
Increased by: Allowable Adjustment*	<u>1,339,881</u>
Maximum Unassigned Fund Balance	<u>\$ 10,511,839</u>

SECTION 2 - All Districts

Total General Fund - Fund Balances at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$ 34,975,718
Decreased by:	
Year End Encumbrances	138,370
Other Restricted Fund Balances **	5,079,263
Assigned-Designated for Subsequent Year's Expenditures	<u>15,451,793</u>
Total Unassigned Fund Balance	<u>\$ 14,306,292</u>

SECTION 3

Fund Balance - Excess Surplus \$ 3,794,453

***Detail of Allowable Adjustments**

Extraordinary Aid	\$ 1,237,261
Additional Nonpublic School Transportation Aid	<u>102,620</u>
	<u>\$ 1,339,881</u>

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

Capital Reserve	\$ 1,879,263
Capital Reserve - Designated for Subsequent Year's Expenditures	2,200,000
Emergency Reserve	<u>1,000,000</u>
	<u>\$ 5,079,263</u>

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2017

Encumbrances per the June 30, 2017 Board Secretary Report (General Fund) \$138,370

Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
School Sponsored Co-Curricular	\$ 19,330	\$ 19,330	
General Administration	59,142	59,142	
Operations and Maintenance	14,516	14,516	
Capital Outlay	45,382	45,382	
	138,370	138,370	-

Total Encumbrances Cancelled During the Audit -

Assigned Fund Balance - Year End Encumbrances, June 30, 2017 \$ 138,370

PATERSON PUBLIC SCHOOLS
Encumbrances
For the Fiscal Year Ended June 30, 2017

Encumbrances per the June 30, 2017 Board Secretary Report (Special Revenue Fund)		\$	-
Description	Total by Category	Amount Properly Encumbered	Encumbrances Cancelled Through Audit Adjustments
Total Encumbrances Cancelled During the Audit			-
Fund Balance - Year End Encumbrances, June 30, 2017 (Budgetary Basis)			\$ -

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that internal controls over the District's financial accounting and reporting system be reviewed and revised to ensure that the ability to issue checks made payable to a vendor other than the vendor listed on the purchase order be discontinued.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

It is recommended that:

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

VII. Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

**PATERSON PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**RECOMMENDATIONS
(Continued)**

X. Status of Prior Years' Audit Findings/Recommendations

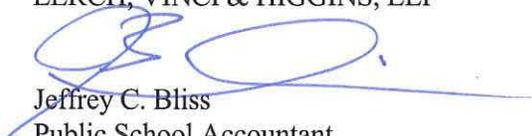
A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings other than those denoted with an asterisk (*).

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