

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

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

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Honorable President and Members
of the Board of Trustees
Passaic Public Schools
Passaic, 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 financial statements of the Passaic Public Schools as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated November 30, 2016.

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

This report is intended solely for the information of the Board of Education's management, the Board of Trustees and others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

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

Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
November 30, 2016

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

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Monies, the activities of the Board of Education and 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 Comprehensive Annual Financial Report (the "CAFR").

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Erlinda Arellano, CPA	Board Secretary/School Business Administrator/ Purchasing Agent	\$ 60,000
Kevin Lomski, CPA	Comptroller	50,000
Paul Gabarini	Treasurer of School Monies	965,000

There is Public Employee Dishonesty with Faithful Performance coverage with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$500,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to signatures, certification and proper itemization.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of payroll taxes were deposited into the payroll agency account.

All payrolls tested were certified by the President of the Board, the Board Secretary/School Business Administrator, and the Chief School Administrator.

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

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Salary withholdings tested were promptly remitted to the proper agencies, including employee health benefit contribution withholdings due to the General Fund.

The District filed the required Certification (ECERTI) of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

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

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 – Our review of the year end detailed encumbrance report revealed numerous purchase orders that do not meet the criteria of an encumbrance (such as salaries, tuition, transportation and utilities).

Recommendation – The District review the open purchase orders prior to the year end closing and determine the proper classification of the orders as to a liability or reserve for encumbrance. Furthermore, any remaining balance on the purchase order should be cancelled.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) 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 specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-2.4.

Board Secretary's Records

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

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

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21) and agendas made available for audit.

Finding – The June 30, 2016 budgetary basis financial reports did not reflect the revenue and year end receivable for Extraordinary Aid in the amount of \$3,822,890. An adjustment was made subsequent to June 30, 2016 to record the Extraordinary Aid.

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

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

Finding – The 2015-16 adopted budget included a budget line item for the transfer of funds from the Capital Reserve to the Capital Projects Fund in the amount of \$2,600,000. These funds were earmarked for specific projects as detailed in the State budget document. These funds were not transferred to the Capital Projects Fund. Furthermore, the expenditure of funds for these projects were charged directly to the transfer line in the Capital Outlay line item or to other budget line items in the current budget. An audit adjustment was made to reclassify these transactions.

Recommendation – The District transfer monies to the Capital Projects Fund in accordance with the approved State budget document. Furthermore, appropriations be established in the Capital Projects Fund to account for the transactions of the designated projects.

Finding – The original budget for certain budgetary line items were not in agreement with the adopted District budget.

Recommendation – The original budget included in the District's appropriation reports be in agreement with the adopted budget.

Treasurer's Records

The Treasurer performed cash reconciliations for the general operating account, payroll account and the payroll agency account on a monthly basis.

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

Elementary and Secondary Education Act of (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind (NCLB) 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.

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 New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC) completed a fiscal audit of federal funds disbursed by the Passaic Public Schools. The funding sources reviewed included Title I, Title II, Title III, IDEA Basic and Preschool, and Carl D. Perkins for the period July 1, 2014 through March 31, 2016. The District completed and approved a corrective action plan to address the findings noted in the OFAC report.

The financial exhibits contained in the CAFR represent a true statement of the financial position pertaining to the aforementioned special projects.

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

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

Our audit 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 District filed its nonpublic state aid project completion reports by the due date.

The School District's accounting records for Preschool Education Aid were maintained in accordance with N.J.A.C. 6:23-5.5(c) which states that the District must maintain separate program school accounts in the Special Revenue Fund section of the District's budget.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

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 ("TPAF").

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Reports 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 subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by *N.J.S.A. 18A:66-90*. Accordingly, the expenditure was made in accordance with state law (90 days) and properly reported in the current year's Final Reports for all federal awards.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 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 student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800. The Board has appointed the School Business Administrator as the Qualified Purchasing Agent.

The Board of Education 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.

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

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The results of our examination indicated that no 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 statistical records of the School Food Services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Cash receipts 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 disbursements 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.

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

Net cash resources did not exceed three months average expenses.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education.

The number of meals claimed for reimbursement was verified against 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 District operated its Child Nutrition Program under the Community Eligibility Provision (CEP). To be eligible for the CEP, schools must have a minimum of forty percent of identified students directly certified for free meals in the prior school year; agree to serve free lunches and breakfasts to all students; and agree to cover with non-federal funds any costs of providing free meals to all students that exceed the Federal reimbursement. There are no household applications collected and reimbursement is based on meals claimed. The District is required to collect Household Surveys. Our audit procedures included a test to verify that the number of meals claimed agreed with supporting documentation.

The school district maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Exhibits reflecting Child Nutrition Program operations are included in the section, of the District's CAFR entitled Enterprise Funds (Exhibits B-4, B-5 and B-6).

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

Food Service Fund (Continued)

The Department of Agriculture performed an Administrative Review of the Breakfast and Lunch Program at selected schools. The Department of Agriculture held an exit conference with the Passaic Public Schools on June 7, 2016 and subsequently provided an "Administrative Review Summary Report" detailing the findings. The Passaic Public School District approved a corrective action plan addressing the findings from the Department of Agriculture.

Student Body Activities

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

Cash receipts and disbursements records for certain schools were maintained in good condition.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, limited English proficient 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 immaterial exceptions noted. The information that was included on the workpapers was verified with immaterial exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintains workpapers in the prescribed state forms or their equivalents.

The district has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-16 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The information that was included on the workpapers was verified with immaterial exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

The District is designated a School Based Budget District and as a result all construction related expenditures are funded by the State of New Jersey. This grant activity is reported in the District's financial statements as on behalf State Aid revenue and Capital Outlay expenditures.

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

Suggestions to Management

The District's capital asset inventory records be integrated with the purchase order accounting system.

Follow-Up on Prior Year Findings

In accordance with Government Auditing Standards, our procedures included a review of all prior year recommendations. Corrective action was taken on all prior year findings.

**PASSAIC PUBLIC SCHOOLS
SCHEDULE OF MEAL COUNT ACTIVITY
FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Program</u>	<u>Meals Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>
National School Lunch (High Rate)	Free	2,076,844	789,866	789,866	-
	Paid	10,437	3,965	3,965	-
National School Breakfast (Severe Rate)	Free	1,471,077	560,072	560,072	-
	Paid	7,391	2,815	2,815	-
(Regular Rate)	Free	21,844	9,417	9,417	-
	Paid	109	47	47	-
After School Snack	Free	367,999	132,919	132,919	-

**PASSAIC PUBLIC SCHOOLS
FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Current Assets

Cash and Cash Equivalents	\$ 2,937,698
Due from Other Governments	2,068,666

Current Liabilities

Less:

Accounts Payable	(736,532)
Accrued Salaries and Wages	(182,356)
Due to Other Funds	<u>(951,309)</u>

Net Cash Resources	<u>\$ 3,136,167</u>
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Adjusted Total Operating Expenses:

Total Operating Expenses	\$ 11,548,205
Less Depreciation	<u>(49,984)</u>
Adjusted Total Operating Expenses	<u>\$ 11,498,221</u>

<u>Average Monthly Operating Expenses:</u>	<u>\$ 1,149,822</u>
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<u>Three Times Monthly Average:</u>	<u>\$ 3,449,466</u>
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Total Net Cash Resources	\$ 3,136,167
Three Times Monthly Average	<u>3,449,466</u>
Amount Below Allowable Net Cash Resources	<u>\$ (313,299)</u>

**PASSAIC PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample from Work- papers	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Full Day Preschool 3 yrs	604		604					174.0		174						
Full Day Preschool 4 yrs	729		729					133.0		133						
Full Day Kindergarten	1,060		1,060					160.0		160						
Grade 1	1,053		1,053					78		78						
Grade 2	1,055		1,055					51		51						
Grade 3	986		986					132		132						
Grade 4	980		980					87		87						
Grade 5	864		864					81		81						
Grade 6	867		867					109		109						
Grade 7	802		802					691		691						
Grade 8	778		778					670		670						
Grade 9	682		682					682		682						
Grade 10	671		671					671		671						
Grade 11	613		613					613		613						
Grade 12	591		591					591		591						
Subtotal	12,335	-	12,335	-	-	-		4,923	-	4,923	-	-	-	-	-	-
Special Ed - Elementary	789		789					10		10			34	8	8	-
Special Ed - Middle	507		507					314		314			46	12	11	(1)
Special Ed - High	505		505					505		505			129	33	31	(2)
Subtotal	1,801	-	1,801	-	-	-		829	-	829	-	-	209	53	50	(3)
Totals	14,136	-	14,136	-	-	-		5,752	-	5,752	-	-	209	53	50	(3)
Percentage Error					0.00%	0.00%				0.00%	0.00%					-5.66%

**PASSAIC PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Errors
Full Day Kindergarten	919.0	919.0		5.0	4.0	1.0	64.0	64.0		1.0	1.0	
Grade 1	922.0	921.0	1.0	5.0	4.0	1.0	425.0	425.0		10.0	10.0	
Grade 2	947.0	946.0	1.0	7.0	6.0	1.0	433.0	433.0		10.0	10.0	
Grade 3	940.0	940.0		6.0	6.0		444.0	444.0		10.0	10.0	
Grade 4	932.0	932.0		6.0	6.0		294.0	294.0		7.0	7.0	
Grade 5	808.0	808.0		5.0	5.0		166.0	166.0		4.0	4.0	
Grade 6	818.0	818.0		5.0	5.0		150.0	150.0		4.0	4.0	
Grade 7	810.0	810.0		5.0	5.0		210.0	210.0		5.0	5.0	
Grade 8	786.0	785.0	1.0	5.0	5.0		143.0	143.0		3.0	3.0	
Grade 9	613.0	613.0		4.0	4.0		112.0	112.0		3.0	3.0	
Grade 10	635.0	634.0	1.0	4.0	3.0	1.0	96.0	96.0		2.0	2.0	
Grade 11	565.0	566.0	(1.0)	4.0	4.0		72.0	72.0		2.0	2.0	
Grade 12	528.0	527.0	1.0	3.0	1.0	2.0	60.0	60.0		1.0	1.0	
Subtotal	10,223.0	10,219.0	4.0	64.0	58.0	6.0	2,669.0	2,669.0	-	62.0	62.0	-
Special Ed - Elementary	681.0	684.0	(3.0)	4.0	4.0	-	271.0	271.0	-	6.0	6.0	-
Special Ed - Middle	532.0	533.0	(1.0)	3.0	3.0	-	97.0	97.0	-	2.0	2.0	-
Special Ed - High	535.5	536.5	(1.0)	2.0	2.0	-	35.0	35.0	-	1.0	-	1.0
Subtotal	1,748.5	1,753.5	(5.0)	9.0	9.0	-	403.0	403.0	-	9.0	8.0	1.0
Co Voc.Reg	0.5	0.5	-	-	-	-	-	-	-	-	-	-
Train Sch/Secure Care	6.0	6.0	-	-	-	-	-	-	-	-	-	-
Juvenile Community Ctr	1.0	1.0	-	-	-	-	-	-	-	-	-	-
Juvenile Detention Ctr	4.0	4.0	-	-	-	-	-	-	-	-	-	-
	11.0	11.0	-	-	-	-	-	-	-	-	-	-
Total	11,983.0	11,984.0	(1.0)	73.0	67.0	6.0	3,072.0	3,072.0	-	71.0	70.0	1.0
Percentage Error			<u>-0.01%</u>			<u>8.22%</u>			<u>0.00%</u>			<u>1.41%</u>

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	574.0	574.0	-	124.0	120.0	(4.0)
Regular - Spec.	187.0	187.0	-	41.0	41.0	-
Special Needs - Public	457.0	457.0	-	99.0	98.0	(1.0)
	1,218.0	1,218.0	-	264.0	259.0	(5.0)
Percentage Error			<u>0.00%</u>			<u>-1.89%</u>

**PASSAIC PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Worpapers	Sample Verified to Register	Errors
Full Day Kindergarten	22.0	22.0		4.0	4.0	
Grade 1	92.0	92.0		15.0	15.0	
Grade 2	79.0	79.0		13.0	13.0	
Grade 3	36.0	36.0		6.0	6.0	
Grade 4	26.0	26.0		4.0	4.0	
Grade 5	22.0	22.0		4.0	4.0	
Grade 6	25.0	25.0		4.0	4.0	
Grade 7	5.0	5.0		1.0	1.0	
Grade 8	4.0	4.0		1.0	1.0	
Grade 9	23.0	23.0		4.0	4.0	
Grade 10	15.0	15.0		2.0	2.0	
Grade 11	9.0	9.0		1.0	1.0	
Grade 12	8.0	8.0		1.0	1.0	
Adult School						
Subtotal	366.0	366.0	-	60.0	60.0	-
Special Ed - Elementary	36.0	36.0		6.0	6.0	
Special Ed - Middle	5.0	5.0		1.0	1.0	
Special Ed - High	2.0	2.0		1.0	1.0	
Subtotal	43.0	43.0	-	8.0	8.0	-
Total	409.0	409.0	-	68.0	68.0	-

Percentage Error

0.00%

0.00%

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

2015-16 Total General Fund Expenditures reported on Exhibit C-1	\$	281,307,284	
Transfer to Special Revenue Fund - Preschool Education		4,134,534	
Expenditures allocated to restricted federal sources as reported on Exhibit D-2		<u>(4,104,726)</u>	
2015-16 Adjusted General Fund Expenditures	\$	281,337,092	
Decreased by:			
On-Behalf TPAF Pension and Social Security		<u>(27,421,871)</u>	
Adjusted 2015-16 General Fund Expenditures	\$	<u>253,915,221</u>	
2% of Adjusted 2015-16 General Fund Expenditures	\$	5,078,304	
Allowable Adjustments			
Semi Cost Settlement	\$	609,991	
Extraordinary Aid		<u>1,822,890</u>	
Maximum Unreserved/Undesignated Fund Balance	\$	7,511,185	
Total General Fund - Fund Balances at June 30, 2016			
(Per CAFR Budgetary Comparison Schedule - Exhibit C-1)	\$	52,902,134	
Decreased by:			
Encumbrances - Committed and Assigned		2,440,386	
Other Restricted Fund Balances - Capital, Maintenance and Emergency Reserves		21,921,070	
Nonspendable - Prepaids		316,250	
Assigned - Designated for SEMI/ARRA		413,243	
Assigned - Designated for Subsequent Year's Budget		<u>20,300,000</u>	
Total Unassigned Fund Balance		<u>7,511,185</u>	
Amount Below Maximum Unreserved/Undesignated Fund Balance	\$	<u>0</u>	
Excess Surplus	\$	<u>-</u>	

**PASSAIC PUBLIC SCHOOLS
SCHEDULE OF ENCUMBRANCES
BOARD SECRETARY REPORT (FUNDS 10 AND 15)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Description	Total by Category	Amount Encumbered	Encumbrances Cancelled Through Audit Adjustments
Utilities	\$ 150,000	\$ 150,000	-
Salaries and Wages	482,123	482,123	-
Tuition Settlements	75,380	75,380	
Construction Services	75,151	75,151	
Unaudited	<u>1,657,732</u>	<u>1,657,732</u>	-
	<u>\$ 2,440,386</u>	<u>\$ 2,440,386</u>	<u>-</u>

Fund Balance, Year End Encumbrances, June 30, 2016

Committed	\$ 643,390
Assigned	<u>1,796,996</u>
	<u>\$ 2,440,386</u>

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

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. The District review the open purchase orders prior to the year end closing and determine the proper classification of the orders as to a liability or reserve for encumbrance. Furthermore, any remaining balance on the purchase order should be cancelled.
2. The District transfer monies to the Capital Projects Fund in accordance with the approved State budget document. Furthermore, appropriations be established in the Capital Projects Fund to account for the transactions of the designated projects.
3. The original budget included in the District's appropriation report be in agreement with the adopted budget.

III. School Purchasing System

There are none.

IV. Food Services Fund

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

There are none.

VII. Transportation

There are none.

VIII. Miscellaneous

There are none.

IX. Facilities and Capital Assets

There are none.

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

RECOMMENDATIONS

X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations. Corrective action was taken on all prior year recommendations.

ACKNOWLEDGEMENT

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to us.

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Gary J. Vinci
Public School Accountant
Certified Public Accountant