

**PASSAIC PUBLIC SCHOOLS
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

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

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Honorable President and Members
of the Board of Education
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, 2018, and have issued our report thereon dated January 16, 2019.

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
January 16, 2019

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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	150,000
Paul Gabarini	Treasurer of School Monies	1,000,000

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/Superintendent.

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

Finding – The State unemployment sub-account in the payroll agency fund had a deficiency of \$32,378 at June 30, 2018.

Recommendation – The District monitor its payroll agency account to ensure that payments made do not exceed the employees deductions.

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.

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.

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.

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

Elementary and Secondary Education Act of (E.S.E.A.) As Amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. 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 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 in the CAFR represent a true statement of the financial position pertaining to the aforementioned special projects.

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 New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC) completed a fiscal review of the 2015-2016 Early Childhood Preschool Education Program contract, budget and financial records of Passaic Family Head Start, Inc., a contracting preschool provider. The Passaic Public Schools prepared and approved a corrective action plan to address the findings noted in the OFAC report on August 16, 2018.

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.

Teacher's Pension and Annuity Fund (TPAF)

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").

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.

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$19,000. 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.

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.

Finding – Our audit noted that certain invoices received from vendors who were awarded per unit pricing contracts were not always reviewed for proper itemization including the breakdown of time and materials, price markups and labor hourly rates and in certain situations, amounts included on the invoices were not in agreement with the bid or state contract pricing sheets provided for audit.

Recommendation – Procedures be implemented to ensure that invoices paid by the District for per unit contracts are in agreement with the terms itemized in the respective bid or state contract pricing sheets.

Food Service Fund

The school food service program was not selected as a major federal or state program; however, the program expenditures exceeded \$100,000 in federal support. Accordingly, we inquired of school management and appropriate food service personnel as to whether the School Food Authority (SFA) had any child nutrition program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management and food service personnel as to whether the SFA's expenditures of food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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.

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Food Service Fund (Continued)

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). Program and non-program revenue and cost of goods sold are shown separately on CAFR Exhibit B-5.

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.

Finding – Our audit of student activity accounts noted the following:

- a) In the elementary schools account, we noted two instances where the pre-numbered receipts totaled more than the amount of money deposited. These amounts were not material and therefore no recommendation is warranted.
- b) In the High School Activity account, deposit slips for the yearbook receipts were not available for audit.
- c) Athletic gate receipt deposits were not always in agreement with the gate receipt report. The differences were not material and therefore no recommendation is warranted.

Recommendation – Deposit slips for the High School yearbook receipts be retained and available for audit.

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Scholarship

Finding – Our audit of the Scholarship account revealed the following:

- a) The bank account was not reconciled in a timely manner. In addition, the bank reconciliation at June 30, 2018 was not in agreement with the year-end financial report.
- b) There were several reconciling items on the bank reconciliation and numerous checks listed on the reconciliation do not contain the name of a payee.
- c) Certain scholarship accounts have negative balances
- d) There was no documentation to support fund raising expenditures paid through the scholarship account.

Recommendation – The District review and enhance the internal control procedures relating to the Scholarship accounts.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 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 without exception. The information that was included on the workpapers was verified without exception. 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 2017-18 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 as a School Based Budget District and as a result all major 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 expenditures in the District's Capital Projects Fund.

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATION FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Miscellaneous

Testing for Lead of All Drinking Water in Educational Facilities

The District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The District submitted the annual Statement of Assurance to the Department of Education pursuant to N.J.A.C. 6A:26-12.4(g).

Suggestions to Management

Old outstanding checks in the High School Activity account be reviewed and cleared of record.

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, 2018**

NOT APPLICABLE

**PASSAIC PUBLIC SCHOOLS
FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Current Assets

Cash and Cash Equivalents	\$ 1,893,362
Due from Other Governments	3,040,233

Current Liabilities

Less:

Accounts Payable	(627,602)
Accrued Salaries and Wages	(312,822)
Due to Other Funds	<u>(915,107)</u>

Net Cash Resources	<u>\$ 3,078,064</u>
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Adjusted Total Operating Expenses:

Total Operating Expenses	\$ 10,777,811
Less Depreciation	<u>(57,511)</u>

Adjusted Total Operating Expenses	<u>\$ 10,720,300</u>
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<u>Average Monthly Operating Expenses:</u>	<u>\$ 1,072,030</u>
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<u>Three Times Monthly Average:</u>	<u>\$ 3,216,090</u>
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Total Net Cash Resources	\$ 3,078,064
Three Times Monthly Average	<u>3,216,090</u>

Amount Below Allowable Net Cash Resources	<u>\$ (138,026)</u>
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**PASAIC PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	2018-2019 Application for State School Aid			Sample for Verification			Private Schools for Disabled			
	Reported on	Reported on	Errors	Sample	Verified per	Errors per	Reported on	Sample	Sample	Sample
	A.S.S.A.	Workpapers		Selected from	Register	Registers	A.S.S.A. as	from		
	On Roll	On Roll		Workpapers	On Roll	On Roll	Private	Work-		
Full	Full	Full	Full	Full	Schools	papers	Verified	Errors		
Full Day Preschool 3 yrs	589.0	589.0		42.0	42.0					
Full Day Preschool 4 yrs	716.0	716.0		129	129					
Full Day Kindergarten	891.0	891.0		116	116					
Grade 1	904.0	904.0		116	116					
Grade 2	922.0	922.0		79	79					
Grade 3	980.0	980.0		151	151					
Grade 4	972.0	972.0		96	96					
Grade 5	977.0	977.0		66	66					
Grade 6	947.0	947.0		136	136					
Grade 7	869.0	869.0		749	749					
Grade 8	869.0	869.0		124	124					
Grade 9	702.0	702.0		702.0	702.0					
Grade 10	668.0	668.0		668.0	668.0					
Grade 11	682.0	682.0		682.0	682.0					
Grade 12	688.0	688.0		688.0	688.0					
Subtotal	<u>12,376.0</u>	<u>12,376.0</u>	-	<u>4,544.0</u>	<u>4,544.0</u>	-	-	-	-	-
Special Ed - Elementary	671.0	671.0		33.0	33.0		39.0	10.0	10.0	
Special Ed - Middle	450.0	450.0		34.0	34.0		43.0	12.0	12.0	
Special Ed - High	483.0	483.0		483.0	483.0		115.0	30.0	30.0	
Subtotal	<u>1,604.0</u>	<u>1,604.0</u>	-	<u>550.0</u>	<u>550.0</u>	-	<u>197.0</u>	<u>52.0</u>	<u>52.0</u>	-
Totals	<u>13,980.0</u>	<u>13,980.0</u>	-	<u>5,094.0</u>	<u>5,094.0</u>	-	<u>197.0</u>	<u>52.0</u>	<u>52.0</u>	-
Percentage Error		<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>		

PASSAIC PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
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	935.0	935.0		6	6		412.0	412.0		9.0	9.0	
Grade 1	925.0	925.0		5	5		445.0	445.0		10.0	10.0	
Grade 2	934.0	934.0		6	6		435.0	435.0		10.0	10.0	
Grade 3	978.0	978.0		6	6		372.0	372.0		8.0	8.0	
Grade 4	969.0	969.0		6	6		337.0	337.0		8.0	8.0	
Grade 5	947.0	947.0		6	6		179.0	179.0		4.0	4.0	
Grade 6	913.0	913.0		6	6		117.0	117.0		3.0	3.0	
Grade 7	845.0	845.0		5	5		92.0	92.0		2.0	2.0	
Grade 8	832.0	832.0		5	5		97.0	97.0		2.0	2.0	
Grade 9	656.0	656.0		4	4		103.0	103.0		2.0	2.0	
Grade 10	601.0	601.0		3	3		79.0	79.0		2.0	2.0	
Grade 11	547.0	547.0		3	3		70.0	70.0		2.0	2.0	
Grade 12	517.0	517.0		3	3		83.0	83.0		2.0	2.0	
Subtotal	10,599.0	10,599.0	-	64	64	-	2,821.0	2,821.0	-	64.0	64.0	-
Special Ed - Elementary	681.0	681.0		3	3		289.0	289.0		6.0	6.0	
Special Ed - Middle	463.0	463.0		3	3		28.0	28.0		1.0	1.0	
Special Ed - High	499.0	499.0		3	3		18.0	18.0		1.0	1.0	
Subtotal	1,643.0	1,643.0	-	9	9	-	335.0	335.0	-	8.0	8.0	-
Train Sch/Secure Care	6.0	6.0										
Juvenile Detention Ctr	5.0	5.0										
Totals	12,253.0	12,253.0	-	73.0	73.0	-	3,156.0	3,156.0	-	72.0	72.0	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	655.0	655.0		125.0	121.0	(4.0)
Special Ed Without Special Need	234.0	234.0		43.0	43.0	
Special Ed With Special Need	480.0	480.0		96.0	95.0	(1.0)
Totals	1,369.0	1,369.0	-	264.0	259.0	(5.0)
Percentage Error			0.00%			-1.89%

**PASSAIC PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 13, 2017
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	23.0	23.0		4.0	4.0	
Grade 1	31.0	31.0		5.0	5.0	
Grade 2	28.0	28.0		5.0	5.0	
Grade 3	12.0	12.0		2.0	2.0	
Grade 4	18.0	18.0		3.0	3.0	
Grade 5	17.0	17.0		3.0	3.0	
Grade 6	18.0	18.0		3.0	3.0	
Grade 7	18.0	18.0		3.0	3.0	
Grade 8	13.0	13.0		2.0	2.0	
Grade 9	24.0	24.0		6.0	6.0	
Grade 10	34.0	34.0		8.0	8.0	
Grade 11	46.0	46.0		8.0	8.0	
Grade 12	45.0	45.0		4.0	4.0	
Subtotal	<u>327.0</u>	<u>327.0</u>	-	<u>56.0</u>	<u>56.0</u>	-
Special Ed - Elementary	10.0	10.0		2.0	2.0	
Special Ed - Middle	2.0	2.0		1.0	1.0	
Special Ed - High	2.0	2.0		1.0	1.0	
Subtotal	<u>14.0</u>	<u>14.0</u>	-	<u>4.0</u>	<u>4.0</u>	-
Total	<u>341.0</u>	<u>341.0</u>	-	<u>60.0</u>	<u>60.0</u>	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**PASSAIC PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

2017-18 Total General Fund Budgetary Expenditures	\$ 291,050,519	
Transfer to Special Revenue Fund - Preschool Education	1,769,432	
Transfer to Capital Projects from Capital Reserve and Capital Outlay	4,917,663	
Expenditures allocated to restricted federal sources as reported on Exhibit D-2	<u>(8,941,605)</u>	
2017-18 Adjusted General Fund Budgetary Expenditures		\$ 288,796,009
Decreased by:		
On-Behalf TPAF Pension and Social Security		<u>(34,307,912)</u>
Adjusted 2017-18 General Fund Budgetary Expenditures		<u>\$ 254,488,097</u>
2% of Adjusted 2017-18 General Fund Budgetary Expenditures		\$ 5,089,762
Allowable Adjustments		
Extraordinary Aid		<u>1,732,007</u>
Maximum Unreserved/Undesignated Fund Balance		\$ 6,821,769
Total General Fund - Fund Balances at June 30, 2018 (Budgetary Basis)	\$ 56,373,186	
Decreased by:		
Encumbrances	420,986	
Other Restricted Fund Balances - Capital, Maintenance and Emergency Reserves	29,114,303	
Nonspendable - Prepaids	20,150	
Assigned - Designated for Subsequent Year's Budget	<u>20,000,000</u>	
Total Unassigned Fund Balance		<u>6,817,747</u>
Amount Below Maximum Unreserved/Undesignated Fund Balance		<u>\$ 4,022</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, 2018

Description	Total by Category	Amount Encumbered	Encumbrances Cancelled Through Audit Adjustments
Cleaning Repairs and Maintenance	\$ 271,458	\$ 271,458	
Unaudited	<u>149,528</u>	<u>149,528</u>	-
	<u>\$ 420,986</u>	<u>\$ 420,986</u>	-
Fund Balance, Encumbrances, June 30, 2018			
Assigned			<u>\$ 420,986</u>

**PASSAIC PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

RECOMMENDATIONS

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that the District monitor its payroll agency account to ensure that payments made do not exceed the employee deductions.

III. School Purchasing System

It is recommended that procedures be implemented to ensure that invoices paid by the District for per unit contracts are in agreement with the terms itemized in the respective bid or state contract pricing sheets.

IV. Food Services Fund

There are none.

V. Student Body Activities

It is recommended that deposit slips for the High School yearbook receipts be retained and be available for audit.

VI. Scholarship

It is recommended that the District review and enhance the internal control procedures relating to the Scholarship accounts.

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, 2018**

RECOMMENDATIONS (Continued)

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