

**LODI BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**LODI BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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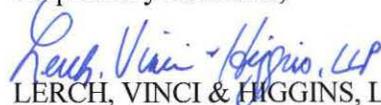
AUDITOR'S MANAGEMENT REPORT

Honorable President and
Members of the Board of Trustees
Lodi Board of Education
Lodi, 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 Lodi Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 16, 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 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
Certified Public Accountants
Public School Accountants


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
September 16, 2016

**LODI BOARD OF EDUCATION
ADMINISTRATIVE 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, 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 Exhibit J-20, Schedule of Insurance, as reported in the District's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Marc Capizzi	Board Secretary/School Business Administrator	\$ 325,000

There is a Public Employees' Dishonesty with Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$100,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any significant discrepancies with respect to signatures, certifications or supporting documentation.

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 fringe benefits were deposited in the Payroll Agency Account.

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

Salary withholdings were promptly remitted to the proper agencies, including health benefit contributions withheld and due to the General Fund.

The District maintains a personnel tracking and accounting (Position Control) system.

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. 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.

Acknowledgment of the Board's receipt of the Board Secretary's monthly financial reports was included in the minutes.

The prescribed contractual order system was followed. Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Elementary and Secondary 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 the Elementary and Secondary Education Act and No Child Left Behind (NCLB).

Our examination 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 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.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning, Accounting and Reporting (Continued)

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

T.P.A.F. Reimbursement for Federally Funded Programs

The amount of the expenditure charged to the current year for all federal awards to 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.

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 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 18A:39-3 is currently \$18,800. The Board has designated the School Business Administrator as the Qualified Purchasing Agent for the District.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract 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 my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions 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.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 as to whether the School Food Authority (the "SFA") had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted. In addition, we inquired as to whether the SFA's expenditures of school 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 maintained in satisfactory condition. The financial accounts and meal count records were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$15,000. The operating results provision has been met.

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.

Net cash resources did not exceed three months average expenditures.

USDA Food Distribution Program food and/or commodities were received and a single inventory was maintained on a first in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included on Exhibits B-4, B-5 and B-6 of the district's CAFR.

Student Activity and Athletic Association Accounts

The Board has established policies and procedures regarding student activity funds.

Cash disbursements were supported by proper documentation.

Application for State School Aid

Our audit procedures included a test information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income and bilingual. 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 maintained workpapers on the prescribed state forms or their equivalent.

The District had adequate written procedures for the recording of student enrollment data.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 with exception. The information on the DRTRS was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures included a review of transportation related contracts and purchases. Based on our review, and except as previously noted, the district complied with proper bidding procedures and award of contracts.

Miscellaneous

The school district complied with continuing disclosure agreements made in relation to prior year bond issuances.

Facilities and Capital Assets

The district maintains a capital assets ledger.

**LODI BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This Schedule is Not Applicable for 2015-16

**LODI BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This Schedule is Not Applicable for 2015-16

**LODI BOARD OF EDUCATION
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 Verfied	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 4 yrs	123.0		123.0		-	-	27.0		27.0		-	-				
Full Day Kindergarten	207.0		207.0		-	-	44.0		44.0		-	-				
Grade 1	235.0		235.0		-	-	52.0		52.0		-	-				
Grade 2	234.0		234.0		-	-	49.0		49.0		-	-				
Grade 3	233.0		233.0		-	-	63.0		63.0		-	-				
Grade 4	221.0		221.0		-	-	19.0		19.0		-	-				
Grade 5	209.0		209.0		-	-	46.0		46.0		-	-				
Grade 6	203.0		203.0		-	-	203.0		203.0		-	-				
Grade 7	223.0		223.0		-	-	223.0		223.0		-	-				
Grade 8	208.0		208.0		-	-	208.0		208.0		-	-				
Grade 9	181.0	1.0	181.0	1.0	-	-	181.0	1.0	181.0	1.0	-	-				
Grade 10	188.0	1.0	188.0	1.0	-	-	188.0	1.0	188.0	1.0	-	-				
Grade 11	224.0	3.0	224.0	3.0	-	-	224.0	3.0	224.0	3.0	-	-				
Grade 12	215.0	1.0	215.0	1.0	-	-	215.0	1.0	215.0	1.0	-	-	-	-	-	-
Subtotal	2,904.0	6.0	2,904.0	6.0	-	-	1,742.0	6.0	1,742.0	6.0	-	-	-	-	-	-
Special Ed - Elementary	103.0		103.0		-	-	14.0		14.0		-	-	1.0	1.0	1.0	-
Special Ed - Middle	78.0		78.0		-	-	77.0		77.0		-	-	5.0	4.0	4.0	-
Special Ed - High	81.0	22.0	81.0	22.0	-	-	81.0	22.0	81.0	22.0	-	-	9.0	8.0	8.0	-
Subtotal	262.0	22.0	262.0	22.0	-	-	172.0	22.0	172.0	22.0	-	-	15.0	13.0	13.0	-
Totals	3,166.0	28.0	3,166.0	28.0	-	-	1,914.0	28.0	1,914.0	28.0	-	-	15.0	13.0	13.0	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

**LODI BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Free/Low Income</u>			<u>Sample for Verification</u>		
	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 Worpapers	Verified to Application and Register	Errors
	Half Day Preschool 4 yrs	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	118.0	118.0	-	5.0	5.0	-	14.0	14.0	-	7.0	7.0	-
Grade 1	137.0	137.0	-	5.0	5.0	-	15.0	15.0	-	7.0	7.0	-
Grade 2	137.0	137.0	-	6.0	6.0	-	7.0	7.0	-	3.0	3.0	-
Grade 3	147.0	147.0	-	6.0	6.0	-	11.0	11.0	-	5.0	5.0	-
Grade 4	120.0	120.0	-	4.0	4.0	-	8.0	8.0	-	3.0	3.0	-
Grade 5	136.0	136.0	-	5.0	5.0	-	7.0	7.0	-	3.0	3.0	-
Grade 6	118.0	118.0	-	4.0	4.0	-	2.0	2.0	-	1.0	1.0	-
Grade 7	146.0	146.0	-	6.0	6.0	-	11.0	11.0	-	5.0	5.0	-
Grade 8	121.0	121.0	-	5.0	5.0	-	2.0	2.0	-	1.0	1.0	-
Grade 9	108.0	108.0	-	4.0	4.0	-	9.0	9.0	-	4.0	4.0	-
Grade 10	108.5	108.5	-	4.0	4.0	-	8.0	8.0	-	3.0	3.0	-
Grade 11	101.5	101.5	-	4.0	4.0	-	9.0	9.0	-	4.0	4.0	-
Grade 12	111.5	111.5	-	4.0	4.0	-	4.0	4.0	-	2.0	2.0	-
Subtotal	1,609.5	1,609.5	-	62.0	62.0	-	107.0	107.0	-	48.0	48.0	-
Special Ed - Elementary	126.0	126.0	-	3.0	3.0	-	1.0	1.0	-	1.0	1.0	-
Special Ed - Middle	63.0	63.0	-	3.0	3.0	-	3.0	3.0	-	1.0	1.0	-
Special Ed - High	69.5	69.5	-	3.0	3.0	-	-	-	-	-	-	-
Subtotal	258.5	258.5	-	9.0	9.0	-	4.0	4.0	-	2.0	2.0	-
Totals	1,868.0	1,868.0	-	71.0	71.0	-	111.0	111.0	-	50.0	50.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	<u>Transportation</u>					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	131.0	131.0	-	63.0	63.0	-
Special Ed. - Public	54.0	54.0	-	26.0	26.0	-
Special Needs - Public	204.0	204.0	-	98.0	98.0	-
	389.0	389.0	-	187.0	187.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**LODI BOARD OF EDUCATION
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
Half Day Preschool 4 yrs	-	-	-			-
Full Day Kindergarten	10.0	10.0	-	6.0	6.0	-
Grade 1	6.0	6.0	-	4.0	4.0	-
Grade 2	7.0	7.0	-	5.0	5.0	-
Grade 3	2.0	2.0	-	1.0	1.0	-
Grade 4	2.0	2.0	-	1.0	1.0	-
Grade 5	4.0	4.0	-	3.0	3.0	-
Grade 6	-	-	-	-	-	-
Grade 7	1.0	1.0	-	1.0	1.0	-
Grade 8	1.0	1.0	-	1.0	1.0	-
Grade 9	1.0	1.0	-	1.0	1.0	-
Grade 10	4.0	4.0	-	3.0	3.0	-
Grade 11	3.0	3.0	-	2.0	2.0	-
Grade 12	3.0	3.0	-	2.0	2.0	-
Adult School	-	-	-	-	-	-
Subtotal	44.0	44.0	-	30.0	30.0	-
Special Ed - Elementary	1.0	1.0	-	1.0	1.0	-
Special Ed - Middle	-	-	-			-
Special Ed - High	-	-	-			-
Subtotal	1.0	1.0	-	1.0	1.0	-
Total	45.0	45.0	-	31.0	31.0	-

Percentage Error

0.00%

0.00%

**LODI BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

2015-2016 Total General Fund Expenditures per the CAFR (Budgetary Basis)		\$ 57,963,318
Increased by:		
Transfer to Special Revenue Fund - Preschool		125,379
Transfer from Capital Reserve to Capital Projects		<u>7,500,000</u>
		65,588,697
Decreased by:		
On-Behalf TPAF Pension and Social Security		<u>(5,057,426)</u>
Adjusted 2015-2016 General Fund Expenditures		<u>\$ 60,531,271</u>
2% of Adjusted 2015-2016 General Fund Expenditures		\$ 1,210,625
Increased by Allowable Adjustment - Extraordinary Aid		<u>168,816</u>
Maximum Unassigned Fund Balance		<u>\$ 1,379,441</u>
Total General Fund - Fund Balance at June 30, 2016		\$ 5,030,685
Decreased by:		
Encumbrances	\$ (523,838)	
Capital Reserve	(1,835,880)	
Emergency Reserve	(403,163)	
Excess Surplus Designated for Subsequent Years Budget	(496,991)	
Unreserved - ARRA/SEMI Designated for Subsequent Yrs Expenditures	<u>(44,699)</u>	
		<u>(3,304,571)</u>
Total Unreserved, Undesignated Fund Balance		<u>1,726,114</u>
Restricted Fund Balance - Excess Surplus		<u>\$ 346,673</u>
Excess Surplus as of June 30, 2016		
Excess Surplus Designated for Subsequent Year's Budget		\$ 496,991
Excess Surplus		<u>346,673</u>
Total		<u>\$ 843,664</u>

**LODI BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. School Food Services

There are none.

V. Student Activity and Athletic Association Accounts

There are none.

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

There were no 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
Certified Public Accountant
Public School Accountant