

**LODI BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

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

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AUDITOR'S MANAGEMENT REPORT

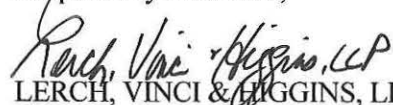
Honorable President and
Members of the Board of Trustees
Lodi Board of Education
Lodi, New Jersey

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, 2018, and have issued our report thereon dated January 28, 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 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
January 28, 2019

**LODI BOARD OF EDUCATION
ADMINISTRATIVE 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, 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 (Positon 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, 2018**

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.

Finding – Our audit revealed that certain professional development expenditures were charged to the line item for travel (account 580). These instances appear to be isolated thus no recommendation is warranted.

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.) 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 the Elementary and Secondary Education Act as amended and reauthorized.

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, 2018**

Financial Planning, Accounting and Reporting (Continued)

Teachers Pension and Annuity Fund

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.

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 and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2015 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 \$19,000. 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, 2018**

Food Service Fund

The financial transactions and statistical records of the school food services were received. 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.

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. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation.

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.

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.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications/or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

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.

The Statement of Revenues and Expenses and Changes in Net Position (CAFR Exhibit B-5) does separate program and non-program revenue and non-program cost of sales.

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.

Finding – Our audit of the athletic account noted that gate receipts were not always deposited in a timely manner. These appear to be isolated instances thus no recommendation is warranted.

**LODI BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Application for State School Aid

Our audit procedures included a test information reported in the October 13, 2017 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.

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 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.

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 relating to the testing for lead of all drinking water in educational facilities. The annual Statement of Assurance was submitted to the Department of Education pursuant to N.J.A.C. 6A:26-12.4 (g).

Facilities and Capital Assets

The district maintains a capital assets ledger.

Suggestion to Management

The district monitor the non-program food revenue in its Food Service Enterprise Fund to ensure that the minimum required revenue benchmark is being achieved.

**LODI BOARD OF EDUCATION
 FOOD SERVICE ENTERPRISE FUND
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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>
National School Lunch (Regular Rate)	Paid	88,023	31,341	31,341	
	Reduced	47,488	16,769	16,769	
	Free	<u>169,275</u>	<u>59,614</u>	<u>59,614</u>	<u>-</u>
		<u>304,786</u>	<u>107,724</u>	<u>107,724</u>	<u>-</u>
School Breakfast (Severe Rate)	Paid	2,252	824	824	
	Reduced	3,266	1,198	1,198	
	Free	<u>19,377</u>	<u>6,923</u>	<u>6,923</u>	<u>-</u>
		<u>24,895</u>	<u>8,945</u>	<u>8,945</u>	<u>-</u>

**LODI BOARD OF EDUCATION
FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Current Assets	
Cash and Cash Equivalents	\$ 237,907
Due from Other Governments	40,572
Current Liabilities	
Accounts Payable	(10,355)
Net Cash Resources	<u>\$ 268,124</u>
<u>Adjusted Total Operating Expense:</u>	
Total Operating Expenses	\$ 1,374,423
Less Depreciation	(19,863)
Adjusted Total Operating Expense	<u>\$ 1,354,560</u>
<u>Average Monthly Operating Expense:</u>	<u>\$ 135,456</u>
<u>Three Times Monthly Average:</u>	<u>\$ 406,368</u>
Total Net Cash Resources	\$ 268,124
Three Times Monthly Average	406,368
Net	<u>\$ (138,244)</u>

**LODI BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	2018-19 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 Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 4yr	136		136					30		30						
Full Day Kindergarten	226		226					35		35						
One	193		193					22		22						
Two	198		198					49		49						
Three	226		226					47		47						
Four	213		213					37		37						
Five	229		229					48		48						
Six	221		221					221		221						
Seven	213		213					213		213						
Eight	216		216					216		216						
Nine	187	5	187	5				187	5	187	5					
Ten	196	4	196	4				196	4	196	4					
Eleven	195	1	195	1				195	1	195	1					
Twelve	186	1	186	1	-	-		186	1	186	1	-	-	-	-	-
Subtotal	<u>2,835</u>	<u>11</u>	<u>2,835</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>1,682</u>	<u>11</u>	<u>1,682</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special Ed - Elementary	103		103					13		13			1	1	1	
Special Ed - Middle School	73	1	73	1				73	1	73	1		1	1	1	
Special Ed - High School	74	12	74	12	-	-		74	12	74	12	-	8	7	7	-
Subtotal	<u>250</u>	<u>13</u>	<u>250</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>160</u>	<u>13</u>	<u>160</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>-</u>
	<u>3,085</u>	<u>24</u>	<u>3,085</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>1,842</u>	<u>24</u>	<u>1,842</u>	<u>24</u>	<u>-</u>	<u>-</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>-</u>
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 SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>	<u>Reported on A.S.S.A. as LEP low Income</u>	<u>Reported on Workpapers as LEP low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten	106.0	106.0		4.0	4.0		9.0	9.0		4.0	4.0	
One	96.0	96.0		4.0	4.0		15.0	15.0		7.0	7.0	
Two	109.0	109.0		5.0	5.0		6.0	6.0		3.0	3.0	
Three	136.0	136.0		6.0	6.0		13.0	13.0		6.0	6.0	
Four	122.0	122.0		5.0	5.0		10.0	10.0		4.0	4.0	
Five	132.0	132.0		6.0	6.0		9.0	9.0		4.0	4.0	
Six	108.0	108.0		4.0	4.0		7.0	7.0		3.0	3.0	
Seven	129.0	129.0		5.0	5.0		5.0	5.0		2.0	2.0	
Eight	126.0	126.0		5.0	5.0		7.0	7.0		3.0	3.0	
Nine	108.5	108.5		5.0	5.0		5.0	5.0		2.0	2.0	
Ten	104.5	104.5		4.0	4.0		5.0	5.0		2.0	2.0	
Eleven	89.5	89.5		4.0	4.0		11.0	11.0		5.0	5.0	
Twelve	85.0	85.0	-	4.0	4.0	-	8.0	8.0	-	3.0	3.0	-
Subtotal	<u>1,451.5</u>	<u>1,451.5</u>	<u>-</u>	<u>61</u>	<u>61</u>	<u>-</u>	<u>110</u>	<u>110</u>	<u>-</u>	<u>48</u>	<u>48</u>	<u>-</u>
Special Ed - Elementary	101.0	101.0		4.0	4.0		2.0	2.0		1.0	1.0	
Special Ed - Middle	71.0	71.0		3.0	3.0		1.0	1.0		-	-	
Special Ed - High	63.0	63.0	-	2.0	2.0	-	-	-	-	-	-	-
Subtotal	<u>235.0</u>	<u>235.0</u>	<u>-</u>	<u>9.0</u>	<u>9.0</u>	<u>-</u>	<u>3.0</u>	<u>3.0</u>	<u>-</u>	<u>1.0</u>	<u>1.0</u>	<u>-</u>
Res. Mental Health	2.0	2.0										
Juvenile Detention Center	1.0	1.0										
Totals	<u>1,689.5</u>	<u>1,689.5</u>	<u>-</u>	<u>70.0</u>	<u>70.0</u>	<u>-</u>	<u>113.0</u>	<u>113.0</u>	<u>-</u>	<u>49.0</u>	<u>49.0</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	<u>Transportation</u>					
	<u>Reported on DRTRS by DOE/county</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
Reg. - Public Schools	172.0	172.0		79.0	79.0	
Reg. -SpEd	44.5	44.5		21.0	21.0	
Special Ed Spec	178.5	178.5		82.0	82.0	
Totals	<u>395.0</u>	<u>395.0</u>	<u>-</u>	<u>182.0</u>	<u>182.0</u>	<u>-</u>
Percentage Error					<u>0.00%</u>	

**LODI BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Full Day Kindergarten	8	8		5	5	
One	6	6		4	4	
Two	7	7		4	4	
Three	10	10		6	6	
Four	6	6		4	4	
Five	7	7		4	4	
Six	2	2		1	1	
Seven	5	5		3	3	
Eight	3	3		2	2	
Nine	3	3		2	2	
Ten	1	1		1	1	
Eleven	9	9		5	5	
Twelve	11	11	-	7	7	-
Subtotal	<u>78</u>	<u>78</u>	<u>-</u>	<u>48</u>	<u>48</u>	<u>-</u>
Special Ed - Elementary	1	1		1	1	
Special Ed - Middle						
Special Ed - High	-	-	-	-	-	-
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
	<u>79</u>	<u>79</u>	<u>-</u>	<u>49</u>	<u>49</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**LODI BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

2017-2018 Total General Fund Budgetary Expenditures	\$ 60,952,717
Increased by:	
Transfer to Special Revenue Fund - Preschool Education	181,865
Transfers from Capital Reserve to Capital Projects Fund	<u>2,000,000</u>
	63,134,582
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>(6,491,189)</u>
Adjusted 2017-2018 General Fund Expenditures	<u>\$ 56,643,393</u>
2% of Adjusted 2017-2018 General Fund Expenditures	\$ 1,132,868
Increased by Allowable Adjustments	<u>-</u>
Maximum Unassigned Fund Balance	<u>\$ 1,132,868</u>
Total General Fund - Fund Balance at June 30, 2018	\$ 12,568,624
Decreased by:	
Encumbrances	\$ (1,488,632)
Capital Reserve	(5,609,435)
Emergency Reserve	(406,768)
Excess Surplus Designated for Subsequent Years (2018/19) Budget	<u>(2,548,350)</u>
	<u>(10,053,185)</u>
Total Unreserved, Undesignated Fund Balance	<u>2,515,439</u>
Restricted Fund Balance - Excess Surplus	<u>\$ 1,382,571</u>
Excess Surplus as of June 30, 2018	
Excess Surplus Designated for Subsequent Year's Budget	\$ 2,548,350
Excess Surplus	<u>1,382,571</u>
Total	<u>\$ 3,930,921</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