

**LODI BOARD OF EDUCATION  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2017**

**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, 2017, and have issued our report thereon dated September 19, 2017.

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

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

Respectfully submitted,

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

Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
September 19, 2017

**LODI BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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.

The Department of Education, Office of Fiscal Accountability and Compliance (OFAC) completed a review of the process and methodology utilized by the Lodi Public Schools to award legal services. As a result of the review, OFAC has identified issues with employee hiring practices. The issues of noncompliance are included in OFAC's Report of Examination. The Lodi Board of Education has discussed the OFAC report at a special meeting held on September 13, 2017 and anticipates approving a corrective action plan at their October 2017 meeting.

**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, 2017**

**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, 2017**

**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, 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 \$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, 2017**

**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 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.

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 14, 2016 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, 2017**

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2016-17 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The information on the DRTRS was verified with immaterial exceptions noted. 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, 2017**

**This Schedule is Not Applicable for 2016-17**

**LODI BOARD OF EDUCATION  
FOOD SERVICE ENTERPRISE FUND  
CALCULATION OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**This Schedule is Not Applicable for 2016-17**

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

	2017-2018 Application for State School Aid						Sample for Verification				Private Schools for Disabled						
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	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	132.0		132.0					35		35							
Full Day Preschool 4 yrs																	
Half Day Kindergarten																	
Full Day Kindergarten	193.0		193.0					50		50							
Grade 1	208.0		208.0					48		48							
Grade 2	239.0		239.0					55		55							
Grade 3	220.0		220.0					43		43							
Grade 4	231.0		231.0					64		64							
Grade 5	226.0		226.0					20		20							
Grade 6	209.0		209.0					209		209							
Grade 7	214.0		214.0					214		214							
Grade 8	226.0		226.0					226		226							
Grade 9	192.0	3.0	192.0	3.0				192.0	3.0	192.0	3.0						
Grade 10	187.0	1.0	187.0	1.0				187.0	1.0	187.0	1.0						
Grade 11	191.0	2.0	191.0	2.0				191.0	2.0	191.0	2.0						
Grade 12	221.0	3.0	221.0	3.0				221.0	3.0	221.0	3.0						
Subtotal	2,889.0	9.0	2,889.0	9.0	-	-		1,755.0	9.0	1,755.0	9.0	-	-	-	-	-	
Special Ed - Elementary	100.0		100.0					5.0		5.0			1.0	1.0	1.0		
Special Ed - Middle	76.0		76.0					76.0		76.0			2.5	2.0	2.0		
Special Ed - High	83.0	18.0	83.0	18.0				83.0	18.0	83.0	18.0		8.5	7.5	7.5		
Subtotal	259.0	18.0	259.0	18.0	-	-		164.0	18.0	164.0	18.0	-	-	12.0	10.5	10.5	-
Totals	3,148.0	27.0	3,148.0	27.0	-	-		1,919.0	27.0	1,919.0	27.0	-	-	12.0	10.5	10.5	-
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 14, 2016  
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 Worpapers	Verified to Application and Register	Errors
Half Day Preschool 4 yrs												
Full Day Preschool 4 yrs												
Half Day Kindergarten												
Full Day Kindergarten	94.0	94.0		4	4		10.0	10.0		4.0	4.0	
Grade 1	115.0	115.0		4	4		13.0	13.0		6.0	6.0	
Grade 2	150.0	150.0		6	6		15.0	15.0		7.0	7.0	
Grade 3	120.0	120.0		5	5		6.0	6.0		3.0	3.0	
Grade 4	147.0	147.0		6	6		12.0	12.0		5.0	5.0	
Grade 5	117.0	117.0		5	5		7.0	7.0		3.0	3.0	
Grade 6	138.0	138.0		5	5		7.0	7.0		3.0	3.0	
Grade 7	132.0	132.0		5	5		6.0	6.0		3.0	3.0	
Grade 8	136.0	136.0		5	5		5.0	5.0		2.0	2.0	
Grade 9	105.0	105.0		4	4		1.0	1.0				
Grade 10	99.5	99.5		4	4		9.0	9.0		4.0	4.0	
Grade 11	105.5	105.5		4	4		9.0	9.0		4.0	4.0	
Grade 12	91.5	91.5		4	4		8.0	8.0		3.0	3.0	
Subtotal	1,550.5	1,550.5	-	61.0	61.0	-	108.0	108.0	-	47.0	47.0	-
Special Ed - Elementary	120.0	120.0		5	5		2.0	2.0		-	-	
Special Ed - Middle	61.0	61.0		2	2		2.0	2.0		2.0	2.0	
Special Ed - High	73.5	73.5		3	3					2.0	2.0	
Subtotal	254.5	254.5	-	10.0	10.0	-	4.0	4.0	-	4.0	4.0	-
Train Sch/Secure Care	2.0	2.0		-	-							
Totals	1,807.0	1,807.0	-	71.0	71.0	-	112.0	112.0	-	51.0	51.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	161.0	161.0		77.0	77.0	
Non Public						
Special Ed Without Special Need	46.0	46.0		22.0	22.0	-
Special Ed With Special Need	184.0	184.0		88.0	85.0	(3.0)
	391.0	391.0	-	187.0	184.0	(3.0)
Percentage Error			<u>0.00%</u>			<u>-1.60%</u>

**LODI BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 14, 2016  
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 Preschool 4 yrs						
Half Day Kindergarten						
Full Day Kindergarten	6.0	6.0		4.0	4.0	
Grade 1	11.0	11.0		8.0	8.0	
Grade 2	8.0	8.0		6.0	6.0	
Grade 3	5.0	5.0		4.0	4.0	
Grade 4	3.0	3.0		1.0	1.0	
Grade 5	7.0	7.0		5.0	5.0	
Grade 6	1.0	1.0		1.0	1.0	
Grade 7	3.0	3.0		2.0	2.0	
Grade 8	6.0	6.0		5.0	5.0	
Grade 9	2.0	2.0		1.0	1.0	
Grade 10	4.0	4.0		3.0	3.0	
Grade 11	9.0	9.0		7.0	7.0	
Grade 12	2.0	2.0		1.0	1.0	
Subtotal	<u>67.0</u>	<u>67.0</u>	-	<u>48.0</u>	<u>48.0</u>	-
Special Ed - Elementary	1.0	1.0		1.0	1.0	
Special Ed - Middle						
Special Ed - High						
Subtotal	<u>1.0</u>	<u>1.0</u>	-	<u>1.0</u>	<u>1.0</u>	-
Total	<u>68.0</u>	<u>68.0</u>	-	<u>49.0</u>	<u>49.0</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, 2017**

2016-2017 Total General Fund Expenditures per the CAFR (Budgetary Basis)	\$ 58,154,972
Increased by:	
Transfer to Special Revenue Fund - Preschool	<u>201,720</u>
	58,356,692
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>(5,678,158)</u>
Adjusted 2016-2017 General Fund Expenditures	<u>\$ 52,678,534</u>
2% of Adjusted 2016-2017 General Fund Expenditures	\$ 1,053,571
Increased by Allowable Adjustment - Extraordinary Aid	<u>235,703</u>
Maximum Unassigned Fund Balance	<u>\$ 1,289,274</u>
Total General Fund - Fund Balance at June 30, 2017	\$ 13,971,771
Decreased by:	
Encumbrances	\$ (22,774)
Capital Reserve	(9,026,265)
Emergency Reserve	(403,983)
Excess Surplus Designated for Subsequent Years (2017/18) Budget	(346,673)
Unreserved - Designated for Subsequent Years (2017/18) Budget	<u>(334,452)</u>
	<u>(10,134,147)</u>
Total Unreserved, Undesignated Fund Balance	<u>3,837,624</u>
Restricted Fund Balance - Excess Surplus	<u>\$ 2,548,350</u>
Excess Surplus as of June 30, 2017	
Excess Surplus Designated for Subsequent Year's Budget	\$ 346,673
Excess Surplus	<u>2,548,350</u>
Total	<u>\$ 2,895,023</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