

**LAKWOOD BOARD OF EDUCATION  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL COMPLIANCE AND PERFORMANCE  
JUNE 30, 2017**

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

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Honorable President and Members  
of the Board of Trustees  
Lakewood Board of Education  
Lakewood, 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 Lakewood Board of Education, County of Ocean, State of New Jersey as of and for the year ended June 30, 2017, and have issued our report thereon dated November 29, 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

Dieter P. Lerch  
Public School Accountant  
PSA Number CS00756

Fair Lawn, New Jersey  
November 29, 2017

**LAKWOOD 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 and Treasurer of School Moneys, the activities of the Board of Education, 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 CAFR.

Official Bonds

| <u>Name</u>       | <u>Position</u>            | <u>Amount</u> |
|-------------------|----------------------------|---------------|
| Kenneth Jannarone | Treasurer of School Monies | \$600,000     |

There is an Employees' Crime and Fidelity Coverage Policy with the American Guarantee and Liability Insurance Company covering all other employees with a coverage limit of \$500,000 per occurrence.

**Financial Planning, Accounting and Reporting**

Examination of Claims

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

Payroll Account

The net salaries of all employees of the District 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 approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

The District filed the required certification (E-CERT1) of compliance with requirements for income tax compensation of certain administrators with the NJ Department of Treasury by the March 15 due date.

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

**Financial Planning, Accounting and Reporting (Continued)**

**Payroll Account (Continued)**

**Finding** – Our audit of the District’s payroll accounts indicated the following (**CAFR Finding 2017-002**):

- The payroll agency bank account ended the year in a deficit position of \$127,331.
- The payroll agency fund reserve balance ended the year in a deficit position of \$61,113.
- An overpayment in the amount of \$349,427 was made to the State of New Jersey for pension remittances. A refund was received by the District for this overpayment.
- Employee salaries and withholdings for pension contributions, as reported in the District’s payroll system, were not always in agreement with amounts reported to the State of New Jersey.
- Duplicate payments of certain employee payroll deductions were made.
- Disbursements made from the net payroll bank account only require one (1) authorization signature.
- A report of the value of employee accruals accumulated sick and vacation amounts earned was not able to be provided for audit.
- Three (3) instances were noted where individuals no longer employed by the District continued to receive medical benefits.

**Recommendation** – Internal controls over the District’s payroll department be reviewed and enhanced.

**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(f) 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 included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23-8.2.

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

**Financial Planning, Accounting and Reporting (Continued)**

**Board Secretary's Records**

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

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

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following:

**Finding** – The District ended the year with cumulative fund deficits in the General and Special Revenue Funds. **(CAFR Findings 2017-001 and 2017-004)**

**Recommendation** – Continued efforts be made to eliminate the cumulative deficits in the General and Special Revenue Funds.

**Treasurer's Records**

The Treasurer did perform monthly reconciliations of the general operating, net payroll and payroll agency bank accounts

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

**Unemployment Insurance Trust Fund**

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

**Elementary and Secondary School 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 Titles I, II and, III of the Elementary and Secondary Education Act as amended and reauthorized.

**Finding** – Our audit of the District's NCLB Title I Program revealed the following: **(CAFR Finding 2017-003):**

- Employees whose salaries were charged to the Title I grant program were not always approved in the minutes as a designated Title I employee.
- The required bi-annual certification by employees performing Title I services were not maintained and made available for audit.

**Recommendation** – Employee salaries funded by the Title I grant program be specifically approved in the minutes and the required bi-annual certification of Title I services performed be filed by the respective employees.

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.

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

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects

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

Our 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 herein represent a true statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund.

**Finding** – Our audit revealed that a semi-monthly form for April 2017 was not filed with the Department of Education seeking reimbursement for FICA with respect to members of the TPAF.

**Recommendation** – In all instances, semi-monthly forms be filed with the State Department of Education for reimbursement of FICA payments made on behalf of members of the Teachers Pension and Annuity Fund.

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

The amount of the expenditure charged to the current year's Final Report(s) 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 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.

Non Public State Aid

Project completion reports were finalized and transmitted to the State by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) 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 transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800. The Board designated the District Purchasing Agent as the Qualified Purchasing Agent.

The District 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.

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

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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 did not indicate any individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that purchases were made through the use of State contracts.

**Food Service Fund**

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test check basis.

Cash receipts and bank records were reviewed for timely deposit.

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 \$500,000. 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.

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 vouchers were timely filed.

USDA Food Distribution Program commodities were received and a separate inventory were maintained on a first-in, first-out basis.

The Statement of Revenues, Expenses and Changes in Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program costs of goods sold.



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

**Food Service Fund (Continued)**

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds.

**Finding** – Our audit indicated that net cash resources of the food service fund exceeded three months average expenditures.

**Recommendation**- Continued efforts be made to reduce the net cash resources of the food service fund.

**Student Body Activities**

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

Cash receipts and disbursements records for the various schools were maintained in satisfactory condition.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped and low-income. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with exceptions noted. The information that was included on the workpapers was verified with exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

**Finding** – Our audit of the District's Application for State School Aid (ASSA) revealed the following (**CAFR Finding 2017-005**):

**On-Roll**

- Student counts on the ASSA were not in agreement with supporting workpapers provided for audit.
- Certain students were not able to be verified to class registers provided for audit.

**Private School for the Disabled**

- Certain IEP's were not able to be provided for audit.
- Students reported were not always able to be verified to a tuition bill.
- Tuition contracts were not always able to be provided for audit.

**Low Income**

- Student counts for Low Income reported on the ASSA were not in agreement with supporting workpapers provided for audit.
- Meal applications and/or household information surveys were not always able to be provided for audit.
- Certain students were not able to be verified to class registers.

**Recommendation** – Internal controls be enhanced to ensure that documentation to support students reported on the Application for State School Aid is retained for audit.

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.

**LAKWOOD 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 results of our procedures noted differences for amounts tested which are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases.

**Facilities and Capital Assets**

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

**Follow-up Prior Year Findings**

In accordance with government standards, our procedures included a review of all prior year recommendations.

**Suggestions to Management**

- In accordance with NJAC 6A:23A-5.2(a)(3), the District have a resolution or memorandum to acknowledge that the District exceeds 130% of the statewide average for legal costs and to implement specific internal controls for the reduction of costs or to provide evidence that such procedures would not result in a reduction of costs.
- The District consider revising its payroll procedures from bi-weekly payroll periods to semi-monthly.
- Consideration be given to closing inactive district bank accounts.
- Surety bond coverage for the Treasurer of School Monies be increased to ensure continued compliance with statutory minimum requirements.

**LAKWOOD BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**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> | <u>Rate</u> |
|---|------------------------|----------------------|---------------------|-----------------------|-------------------|-------------|
| <b>National School Lunch<br/>(High Rate)</b>    | Paid                   |                      |                     |                       |                   | \$ 0.32     |
|   | Reduced                |                      |                     |                       |                   | 2.78        |
|   | Free                   | <u>877,031</u>       | <u>352,702</u>      | <u>352,702</u>        | <u>-</u>          | 3.18        |
|   | Total                  | <u>877,031</u>       | <u>352,702</u>      | <u>352,702</u>        | <u>-</u>          |             |
| <b>National School Lunch</b>                    | HHFKA-PB<br>Lunch Only | <u>877,031</u>       | <u>352,702</u>      | <u>352,702</u>        | <u>-</u>          | 0.06        |
| <b>School Breakfast<br/>(Severe Need Rates)</b> | Paid                   |                      |                     |                       |                   | 0.29        |
|   | Reduced                |                      |                     |                       |                   | 1.74        |
|   | Free                   | <u>725,734</u>       | <u>290,319</u>      | <u>290,319</u>        | <u>-</u>          | 2.04        |
|   | Total                  | <u>725,734</u>       | <u>290,319</u>      | <u>290,319</u>        | <u>-</u>          |             |
| <b>After School Snacks<br/>(Regular)</b>        | Free                   | <u>60,834</u>        | <u>26,375</u>       | <u>26,375</u>         | <u>-</u>          | 0.86        |
|   | Total                  | <u>60,834</u>        | <u>26,375</u>       | <u>26,375</u>         | <u>-</u>          |             |
| <b>Total Net Overclaim</b>                      |                        |                      |                     |                       |                   |             |

**LAKWOOD BOARD OF EDUCATION  
 FOOD SERVICE FUND  
 NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - STATE  
 ENTERPRISE FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SCHEDULE OF MEAL COUNT ACTIVITY**

| <u>Program</u>   | <u>Meals<br/>Category</u> | <u>Meals<br/>Claimed</u> | <u>Meals<br/>Tested</u> | <u>Meals<br/>Verified</u> | <u>Difference</u> | <u>Rate</u> |
|--|---------------------------|--------------------------|-------------------------|---------------------------|-------------------|-------------|
| <b>State Reimbursement -<br/>National School Lunch<br/>(High Rate)</b> | Paid                      |                          |                         |                           |                   | \$ 0.04     |
|  | Reduced                   |                          |                         |                           |                   | 0.06        |
|  | Free                      | <u>877,031</u>           | <u>352,702</u>          | <u>352,702</u>            | <u>-</u>          | 0.06        |
|  | Total                     | <u>877,031</u>           | <u>352,702</u>          | <u>352,702</u>            | <u>-</u>          |             |

**Total Net Overclaim**

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

**NET CASH RESOURCES SCHEDULE**

**Net Cash Resources**

**Current Assets**

|                           |    |           |
|---------------------------|----|-----------|
| Cash and Cash Equivalents | \$ | 1,878,824 |
| Accounts Receivable       |    | 383,841   |
| Due from Other Funds      |    | 1,264,899 |

**Current Liabilities**

|                    |  |           |
|--------------------|--|-----------|
| Accounts Payable   |  | (668,772) |
| Due to Other Funds |  | (265,000) |

|                           |           |                         |            |
|---------------------------|-----------|-------------------------|------------|
| <b>Net Cash Resources</b> | <b>\$</b> | <b><u>2,593,792</u></b> | <b>(A)</b> |
|---------------------------|-----------|-------------------------|------------|

**Operating Expenditures**

|                              |  |           |
|------------------------------|--|-----------|
| Total Operating Expenditures |  | 5,193,423 |
| Less Depreciation            |  | (56,658)  |
| Less USDA Commodities        |  | (274,677) |

|  |           |                         |            |
|--|-----------|-------------------------|------------|
| <b>Adjusted Total Operating Expenditures</b> | <b>\$</b> | <b><u>4,862,088</u></b> | <b>(B)</b> |
|--|-----------|-------------------------|------------|

**Average Monthly Operating Expense:**

|        |           |                       |            |
|--------|-----------|-----------------------|------------|
| B / 10 | <b>\$</b> | <b><u>486,209</u></b> | <b>(C)</b> |
|--------|-----------|-----------------------|------------|

**Three times monthly Average:**

|       |           |                         |            |
|-------|-----------|-------------------------|------------|
| C x 3 | <b>\$</b> | <b><u>1,458,626</u></b> | <b>(D)</b> |
|-------|-----------|-------------------------|------------|

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|                     |    |                  |
|---------------------|----|------------------|
| TOTAL IN BOX A      | \$ | 2,593,792        |
| LESS TOTAL IN BOX D | \$ | <u>1,458,626</u> |
| NET                 | \$ | <u>1,135,166</u> |

**LAKEWOOD BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 14, 2016**

|                       | 2017-2018 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                  | for               |          |         |
|                       | On Roll                                    |      | On Roll     |      | Full   | Shared | Full                    | Shared | Full         | Shared | Full       | Shared  | Private                      | Verifi-<br>cation | Verified | Errors  |
| Full                  | Shared                                     | Full | Shared      | Full |        |        |                         |        |              |        |            |         |                              |                   |          |         |
| Half Day Pre K (3yrs) |  |      |             |      |        |        |                         |        |              |        |            |         |                              |                   |          |         |
| Full Day Pre K (3yrs) | 2  |      | 2           |      |        |        | 1                       |        | 1            |        |            |         |                              |                   |          |         |
| Half Day Pre K (4yrs) |  |      |             |      |        |        |                         |        |              |        |            |         |                              |                   |          |         |
| Full Day Pre K (4yrs) | 243  |      | 243         |      |        |        | 86                      |        | 87           |        | 1          |         |                              |                   |          |         |
| Half Day Kindergarten |  |      |             |      |        |        |                         |        |              |        |            |         |                              |                   |          |         |
| Full Day Kindergarten | 436  |      | 436         |      |        |        | 204                     |        | 204          |        |            |         |                              |                   |          |         |
| Grade 1               | 431  |      | 431         |      |        |        | 242                     |        | 243          |        | 1          |         |                              |                   |          |         |
| Grade 2               | 479  |      | 472         |      | (7)    |        | 121                     |        | 129          |        | 8          |         |                              |                   |          |         |
| Grade 3               | 418  |      | 409         |      | (9)    |        | 123                     |        | 122          |        | (1)        |         |                              |                   |          |         |
| Grade 4               | 466  |      | 459         |      | (7)    |        | 213                     |        | 214          |        | 1          |         |                              |                   |          |         |
| Grade 5               | 407  |      | 400         |      | (7)    |        | 79                      |        | 84           |        | 5          |         |                              |                   |          |         |
| Grade 6               | 400  |      | 400         |      |        |        | 400                     |        | 397          |        | (3)        |         |                              |                   |          |         |
| Grade 7               | 316  |      | 316         |      |        |        | 316                     |        | 313          |        | (3)        |         |                              |                   |          |         |
| Grade 8               | 299  |      | 299         |      |        |        | 299                     |        | 297          |        | (2)        |         |                              |                   |          |         |
| Grade 9               | 274  |      | 274         |      |        |        | 274                     |        | 258          |        | (16)       |         |                              |                   |          |         |
| Grade 10              | 272  |      | 272         |      |        |        | 272                     |        | 272          |        |            |         |                              |                   |          |         |
| Grade 11              | 224  | 48   | 224         | 48   |        |        | 224                     | 48     | 210          | 37     | (14)       | (11)    |                              |                   |          |         |
| Grade 12              | 193  | 27   | 193         | 27   |        |        | 193                     | 27     | 186          | 27     | (7)        |         |                              |                   |          |         |
| Adult HS (15+Credits) | -  | -    | -           | -    | -      | -      | -                       | -      | -            | -      | -          | -       |                              |                   |          |         |
| Subtotal              | 4,860                                      | 75   | 4,830       | 75   | (30)   | -      | 3,047                   | 75     | 3,017        | 64     | (30)       | (11)    |                              |                   |          |         |
| Sp Ed- Elementary     | 577  |      | 575         |      | (2)    | -      | 41                      |        | 40           |        | (1)        |         | 185                          | 90                | 60       | (30)    |
| Sp Ed - Middle School | 215  |      | 215         |      | -      | -      | 16                      |        | 16           |        | -          |         | 40                           | 23                | 17       | (6)     |
| Sp Ed - High School   | 137  | 18   | 137         | 18   | -      | -      | 10                      | 1      | 8            | 1      | (2)        | -       | 71                           | 41                | 33       | (8)     |
| Subtotal              | 929  | 18   | 746         | 18   | (2)    | -      | 67                      | 1      | 64           | 1      | (3)        | -       | 296                          | 154               | 110      | (44)    |
| Totals                | 5,789                                      | 93   | 5,576       | 93   | (32)   | -      | 3,114                   | 76     | 3,081        | 65     | (33)       | (11)    | 296                          | 154               | 110      | (44)    |
| Percentage Error      |  |      |             |      | -0.55% | 0.00%  |                         |        |              |        | -1.06%     | -14.47% |                              |                   |          | -28.57% |

**LAKWOOD 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 | Reported on Workpapers | Errors         | Sample Selected from Workpapers | Verified to Application and Register | Sample Errors | Reported on A.S.S.A     | Reported on Workpapers | Errors        | Sample Selected from Workpapers | Verified to Application and Register | Sample Errors |
| Half Day Pre K (3yrs) |                     |                        |                |                                 |                                      |               |                         |                        |               |                                 |                                      |               |
| Full Day Pre K (3yrs) |                     |                        |                |                                 |                                      |               |                         |                        |               |                                 |                                      |               |
| Half Day Pre K (4yrs) |                     |                        |                |                                 |                                      |               |                         |                        |               |                                 |                                      |               |
| Full Day Pre K (4yrs) |                     |                        |                |                                 |                                      |               |                         |                        |               |                                 |                                      |               |
| Half Day Kindergarten |                     |                        |                |                                 |                                      |               |                         |                        |               |                                 |                                      |               |
| Full Day Kindergarten | 393.0               | 371.0                  | (22.0)         | 42.0                            | 26.0                                 | (16.0)        | 186.0                   | 175.0                  | (11.0)        | 35.0                            | 24.0                                 | (11.0)        |
| Grade 1               | 358.0               | 323.0                  | (35.0)         | 44.0                            | 39.0                                 | (5.0)         | 200.0                   | 186.0                  | (14.0)        | 37.0                            | 33.0                                 | (4.0)         |
| Grade 2               | 392.0               | 353.0                  | (39.0)         | 55.0                            | 39.0                                 | (16.0)        | 250.0                   | 228.0                  | (22.0)        | 47.0                            | 36.0                                 | (11.0)        |
| Grade 3               | 355.0               | 339.0                  | (16.0)         | 39.0                            | 29.0                                 | (10.0)        | 171.0                   | 166.0                  | (5.0)         | 31.0                            | 26.0                                 | (5.0)         |
| Grade 4               | 396.0               | 364.0                  | (32.0)         | 23.0                            | 17.0                                 | (6.0)         | 87.0                    | 80.0                   | (7.0)         | 16.0                            | 13.0                                 | (3.0)         |
| Grade 5               | 357.0               | 347.0                  | (10.0)         | 16.0                            | 9.0                                  | (7.0)         | 48.0                    | 47.0                   | (1.0)         | 9.0                             | 5.0                                  | (4.0)         |
| Grade 6               | 323.0               | 303.0                  | (20.0)         | 9.0                             | 5.0                                  | (4.0)         | 20.0                    | 19.0                   | (1.0)         | 3.0                             | 3.0                                  |               |
| Grade 7               | 239.0               | 214.0                  | (25.0)         | 7.0                             | 4.0                                  | (3.0)         | 13.0                    | 12.0                   | (1.0)         | 2.0                             | 2.0                                  |               |
| Grade 8               | 224.0               | 204.0                  | (20.0)         | 7.0                             | 3.0                                  | (4.0)         | 12.0                    | 9.0                    | (3.0)         | 2.0                             | 1.0                                  | (1.0)         |
| Grade 9               | 192.0               | 170.0                  | (22.0)         | 6.0                             | 1.0                                  | (5.0)         | 9.0                     | 7.0                    | (2.0)         | 2.0                             | 1.0                                  | (1.0)         |
| Grade 10              | 170.0               | 154.0                  | (16.0)         | 7.0                             | 3.0                                  | (4.0)         | 17.0                    | 13.0                   | (4.0)         | 3.0                             | 1.0                                  | (2.0)         |
| Grade 11              | 167.5               | 122.0                  | (45.5)         | 8.0                             | 3.0                                  | (5.0)         | 19.0                    | 10.0                   | (9.0)         | 4.0                             | 2.0                                  | (2.0)         |
| Grade 12              | 112.0               | 87.5                   | (24.5)         | 4.0                             | 3.0                                  | (1.0)         | 6.5                     | 5.0                    | (1.5)         | 1.0                             | 1.0                                  | -             |
| Subtotal              | 3,678.5             | 3,351.5                | (327.0)        | 267.0                           | 181.0                                | (86.0)        | 1,038.5                 | 957.0                  | (81.5)        | 192.0                           | 148.0                                | (44.0)        |
| Sp Ed - Elementary    | 476.0               | 442.0                  | (34.0)         | 28.0                            | 19.0                                 | (9.0)         | 118.0                   | 110.0                  | (8.0)         | 22.0                            | 16.0                                 | (6.0)         |
| Sp Ed - Middle School | 176.0               | 162.0                  | (14.0)         | 4.0                             | 3.0                                  | (1.0)         | 6.0                     | 5.0                    | (1.0)         | 1.0                             | 1.0                                  | -             |
| Sp Ed - High School   | 106.5               | 93.0                   | (13.5)         | 3.0                             | 2.0                                  | (1.0)         | 1.0                     | 1.0                    | -             | 1.0                             | 1.0                                  | -             |
| Subtotal              | 758.5               | 697.0                  | (61.5)         | 35.0                            | 24.0                                 | (11.0)        | 125.0                   | 116.0                  | (9.0)         | 24.0                            | 18.0                                 | (6.0)         |
| <b>Totals</b>         | <b>4,437.0</b>      | <b>4,048.5</b>         | <b>(388.5)</b> | <b>302.0</b>                    | <b>205.0</b>                         | <b>(97.0)</b> | <b>1,163.5</b>          | <b>1,073.0</b>         | <b>(90.5)</b> | <b>216.0</b>                    | <b>166.0</b>                         | <b>(50.0)</b> |
| Percentage Error      |                     |                        | <u>-8.76%</u>  |                                 |                                      | <u>32.12%</u> |                         |                        | <u>-7.78%</u> |                                 |                                      | <u>23.15%</u> |

|                            | Transportation              |                               |             |             |             |             |
|----------------------------|-----------------------------|-------------------------------|-------------|-------------|-------------|-------------|
|                            | Reported on DRTRS by County | Reported on DRTRS by District | Errors      | Tested      | Verified    | Errors      |
| Reg. - Public Schools      | 2,336.0                     | 2,336.0                       |             | 54.0        | 47.5        | 6.5         |
| Special Ed. - Public       |                             |                               |             |             | 3.0         | (3.0)       |
| Transported - Non - Public | 8.0                         | 8.0                           |             | 1.0         |             | 1.0         |
| Special Needs - Public     | 730.0                       | 730.0                         | -           | 16.0        | 10.0        | 6.0         |
|                            | <u>3,074.0</u>              | <u>3,074.0</u>                | <u>-</u>    | <u>71.0</u> | <u>60.5</u> | <u>10.5</u> |
| Percentage Error           |                             |                               | <u>0.0%</u> |             |             | <u>15%</u>  |

**LAKWOOD 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<br>A.S.S.A      | Reported on<br>Workpapers | Errors | Sample<br>Selected from<br>Workpapers | Verified to<br>Application<br>and Register | Sample<br>Errors |
| Half Day Pre K (3yrs) |                             |                           |        |                                       |  |                  |
| Full Day Pre K (3yrs) |                             |                           |        |                                       |  |                  |
| Half Day Pre K (4yrs) |                             |                           |        |                                       |  |                  |
| Full Day Pre K (4yrs) |                             |                           |        |                                       |  |                  |
| Half Day Kindergarten |                             |                           |        |                                       |  |                  |
| Full Day Kindergarten | 14.0                        | 25.0                      | 11.0   | 3.0                                   | 3.0  |                  |
| Grade 1               | 43.0                        | 57.0                      | 14.0   | 8.0                                   | 8.0  |                  |
| Grade 2               | 45.0                        | 67.0                      | 22.0   | 8.0                                   | 8.0  |                  |
| Grade 3               | 29.0                        | 33.0                      | 4.0    | 5.0                                   | 5.0  |                  |
| Grade 4               | 21.0                        | 28.0                      | 7.0    | 4.0                                   | 4.0  |                  |
| Grade 5               | 8.0                         | 9.0                       | 1.0    | 1.0                                   | 1.0  |                  |
| Grade 6               | 8.0                         | 9.0                       | 1.0    | 1.0                                   | 1.0  |                  |
| Grade 7               | 11.0                        | 14.0                      | 3.0    | 2.0                                   | 2.0  |                  |
| Grade 8               | 6.0                         | 10.0                      | 4.0    | 1.0                                   | 1.0  |                  |
| Grade 9               | 9.0                         | 12.0                      | 3.0    | 2.0                                   | 2.0  |                  |
| Grade 10              | 12.0                        | 16.0                      | 4.0    | 2.0                                   | 2.0  |                  |
| Grade 11              | 15.0                        | 25.0                      | 10.0   | 3.0                                   | 3.0  |                  |
| Grade 12              | 10.5                        | 10.0                      | (0.5)  | 2.0                                   | 2.0  | -                |
| Subtotal              | 231.5                       | 315.0                     | 83.5   | 42.0                                  | 42.0                                       | -                |
| Sp Ed - Elementary    | 21.0                        | 29.0                      | 8.0    | 4.0                                   | 4.0  |                  |
| Sp Ed - Middle School | 3.0                         | 4.0                       | 1.0    | 1.0                                   | 1.0  |                  |
| Sp Ed - High School   | 1.0                         | 1.0                       | -      | 1.0                                   | 1.0  | -                |
| Subtotal              | 25.0                        | 34.0                      | 9.0    | 6.0                                   | 6.0  | -                |
| Totals                | 256.5                       | 349.0                     | 92.5   | 48.0                                  | 48.0                                       | -                |
|                       |                             | -36.06%                   |        |                                       | 0.00%                                      |                  |



**LAKWOOD BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**SECTION 1**

**Calculation A: 2% Excess Surplus:**

|  |                  |                     |
|--|------------------|---------------------|
| 2016-2017 Total General Fund Expenditures Reported on Exhibit C-1                |                  | \$ 147,056,328      |
| Decreased by:  |                  |                     |
| Expenditures Allocated to Restricted Federal Resources                           | \$ 2,601,215     |                     |
| On-Behalf TPAF Pension & Social Security   | <u>8,792,808</u> |                     |
|  |                  | <u>11,394,023</u>   |
| Adjusted 2016-2017 General Fund Expenditures                                     |                  | 135,662,305         |
| 2% of Adjusted 2016-2017 General Fund Expenditures                               |                  | <u>\$ 2,713,246</u> |
| Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000 | \$ 2,713,246     |                     |
| Increased by: Allowable Adjustment*  | <u>14,790</u>    |                     |
| Maximum Unassigned Fund Balance  |                  | <u>\$ 2,728,036</u> |

**SECTION 2 - All Districts**

|   |  |                       |
|---|--|-----------------------|
| Total General Fund - Fund Balances at June 30, 2017<br>(Per CAFR Budgetary Comparison Schedule/Statement) |  | \$ (3,503,104)        |
| Decreased by:   |  |                       |
| Year End Encumbrances   |  | <u>850,794</u>        |
| Total Unassigned Fund Balance   |  | <u>\$ (4,353,898)</u> |

**SECTION 3**

**Reserved Fund Balance - Excess Surplus** \$ -

**\*Detail of Allowable Adjustments**

Additional Nonpublic School Transportation Aid \$ 14,790

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

**RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

It is recommended that:

1. Internal controls over the District's payroll department be reviewed and enhanced
- \* 2. Continued efforts be made to eliminate cumulative deficits in the General and Special Revenue Funds.
3. Employee salaries funded by the Title I grant program be specifically approved in the minutes and the required bi-annual certification of Title I services performed be filed by the respective employees.
4. In all instances, semi-monthly forms be filed timely with the State Department of Education for reimbursement of FICA payments made on behalf of members of the Teachers Pension and Annuity Fund.

**III. School Purchasing Program**

There are none.

**IV. School Food Services**

- \* It is recommended that continued efforts be made to reduce the net cash resources of the food service fund.

**V. Student Body Activities**

There are none.

**VI. Application for State School Aid**

- \* It is recommended that internal controls be enhanced to ensure that documentation to support students reported on the Application for State School Aid is retained for audit.

**VII. Transportation**

There are none.

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

**RECOMMENDATIONS**

**VIII. Facilities and Capital Assets**

There are none.

**IX. Miscellaneous**

There are none.

**X. Status of Prior Years' Audit Findings/Recommendations**

A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings, however further action is required for those recommendations denoted by an asterisk (\*).

**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



Daniel P. Lerch  
Public School Accountant  
PSA Number CS00756