

**LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
COUNTY OF CAMDEN**

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS--
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**



LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

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**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**


The Honorable President and
Members of the Board of Trustees
LEAP Academy University Charter School, Inc.
County of Camden, 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 Board of Trustees of the LEAP Academy University Charter School, Inc., in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2015, which were separately issued in the Comprehensive Annual Financial Report dated December 18, 2015.

As part of our audit, we also performed procedures required by the Division of Administration and 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 issued in conjunction with the Comprehensive Annual Financial Report of the Board of Trustees of the LEAP Academy University Charter School, Inc., for the fiscal year ended June 30, 2015, and is intended for the information of the Charter School's management and the New Jersey Department of Education and should not be used by anyone other than these specified parties.

Respectfully submitted,


BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants


Scott P. Barron
Certified Public Accountant
Public School Accountant No. CS 02459

Voorhees, New Jersey
December 18, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

SCOPE OF AUDIT

The audit covered the financial transactions of the School Business Administrator/Chief Financial Officer, the Treasurer of School Moneys, the activities of the Board of Trustees, and the records of the various funds under the auspices of the Board of Trustees.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the Charter School's Comprehensive Annual Financial Report ("CAFR").

Official Bonds (N.J.S.A. 18A: 17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Kenneth H. Verrill	School Business Administrator / Chief Financial Officer	\$50,000.00
Jill Kristine Liedtka	Treasurer of School Moneys	260,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with New Jersey School Boards Association Insurance Group covering all employees with multiple coverage of \$100,000.00.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING

Examination of Claims

Sampled claims paid during the fiscal year under audit did not indicate any reportable noncompliance with respect to signatures, certification, or supporting documentation.

Payroll Account

The net salaries of sampled employees of the Charter School were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the agency payroll account.

Sampled payrolls were approved by the Chief Operations Officer / Lead Person and were certified by the Treasurer and the School Business Administrator / Chief Financial Officer.

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the General Fund.

Payrolls were delivered to the School Business Administrator / Chief Financial Officer who then deposited warrants in separate bank accounts for net payroll and withholdings.

Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample did not indicate any reportable noncompliance with respect to classification of orders.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Travel

A sample of travel expenditures during the fiscal year under audit did not indicate any reportable noncompliance.

Classification of Expenditures

The coding of expenditures was inspected for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our randomly sampled expenditure transactions. We also inspected the coding of all expenditures included in our compliance and single audit sampling procedures. In addition, a sample was selected that specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. Our samples did not indicate any reportable noncompliance with respect to classification of expenditures.

School Business Administrator / Chief Financial Officer's Records

Our audit of the financial and accounting records maintained by the School Business Administrator / Chief Financial Officer indicated that they were in satisfactory condition.

Treasurer of School Moneys' Records

Our audit of the financial and accounting records maintained by the Treasurer of School Moneys indicated that they were in satisfactory condition.

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 (N.C.L.B.) of 2001

The E.S.E.A. / N.C.L.B. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I, II and III of the Elementary and Secondary Education Act as amended and reauthorized.

The audit of compliance for E.S.E.A. did not indicate any reportable noncompliance.

Other Special Federal and / or State Projects

The Charter School's Other Special Projects were approved as listed on Exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a sample basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned other special projects.

The audit of compliance for Other Special Projects did not indicate any reportable noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a sample of the biweekly reimbursements filed with the Department of Education for Charter School employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

TPAF 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 Charter School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was inspected subsequent to the reimbursement and no exceptions were noted.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and the school contracts in general, are available on the following website:

<http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at:

http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&oftpage=TOC_Frame_Pg42

Based on the results of our audit, we did not note any individual payments, contracts, or agreements 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 provision of N.J.S.A. 18A:18A-4, amended.

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

SCHOOL FOOD SERVICE

The financial transactions and statistical records of the school food service fund were audited. The financial accounts, meal count records, and eligibility applications were inspected on a sample basis. No exceptions were noted.

Cash receipts and bank records were sampled for timely deposit. No exceptions were noted.

The Charter School 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 inspected and audited. The FSMC contract did not include an operating provision for a guarantee profit or break even.

Expenditures were separately recorded as food, labor, and other costs. Vendor invoices were sampled and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Employees for food service are provided by the food service management company.

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.

Sampled applications for free and reduced price meals were inspected for completeness and accuracy. The free and reduced price meal and free milk policy was inspected for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for audit.

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 in the section entitled Enterprise Funds, Section G of the CAFR.

STUDENT BODY ACTIVITIES

Our audit of the financial and accounting records for student activities indicated that they were in satisfactory condition.

ENROLLMENT COUNTS AND SUBMISSIONS TO THE DEPARTMENT

Our audit procedures included a sample of enrollment information on October 15, 2014 and the last day of school for on-roll, special education, bilingual and low-income. The results of our procedures are presented in the Schedule of Audited Enrollments.

The Charter School maintained written procedures that appear to be adequate for the recording of student enrollment data.

MISCELLANEOUS

Continuing Disclosure Agreements

The Charter School complied with its most recent continuing disclosure agreements made in relation to prior year bond issuances.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

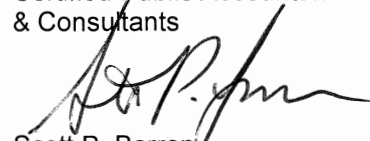
There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2015.

ACKNOWLEDGMENT

We received the complete cooperation of all of the officials of the Charter School and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Scott P. Barron
Public School Accountant No. CS 02459

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Meal Count Activity
 Food Service Fund
 Number of Meals Served and (Over) / Underclaim - Federal
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2015

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Estimated (Over) / Under Claim</u>
National School Lunch (High Rate)	Paid	19,034	1,430	1,430		\$ 0.30	
	Reduced	25,246	1,609	1,609		2.60	
	Free	185,843	12,421	12,421		3.00	
	HHFKA*	<u>230,123</u>	<u>15,460</u>	<u>15,460</u>		0.06	
	Total	<u>460,246</u>	<u>30,920</u>	<u>30,920</u>			
School Breakfast (Severe Needs Rate)	Paid	6,433	517	517		0.28	
	Reduced	11,113	618	618		1.63	
	Free	<u>100,625</u>	<u>6,575</u>	<u>6,575</u>		1.93	
	Total	<u>118,171</u>	<u>7,710</u>	<u>7,710</u>			
Special Milk	Paid					0.2300	
	Free					Average Cost	
	Total						
After School Snacks At Risk / Area Eligible (No Charge)	Paid					0.07	
	Reduced					0.41	
	Free	<u>8,017</u>	<u>8,017</u>	<u>8,017</u>		0.82	
	Total	<u>8,017</u>	<u>8,017</u>	<u>8,017</u>			
CACFP (d) - Food	Free					2.98	
CACFP (d) - Cash-in-Lieu of USDA Foods	Free					0.2475	
Total Net Underclaim / (Overclaim)							<u>\$ -</u>

* For "Federal Performance Based Lunch" Healthy Hunger-Free Kids Act of 2010

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Meal Count Activity
 Food Service Fund
 Number of Meals Served and (Over) / Underclaim - State
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2015

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Estimated (Over) / Under Claim</u>
National School Lunch (Regular Rate)	Paid	19,034	1,430	1,430		\$ 0.040	
	Reduced	25,246	1,609	1,609		0.055	
	Free	<u>185,843</u>	<u>12,421</u>	<u>12,421</u>		0.055	
	Total	<u>230,123</u>	<u>15,460</u>	<u>15,460</u>			
Total Net Underclaim / (Overclaim)							<u>\$ -</u>

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
 Schedule of Net Cash Resources
 Net Cash Resources Did Not Exceed Three Months of Expenditures
 Proprietary Funds - Food Service Fund
 For the Fiscal Year Ended June 30, 2015

<u>Net Cash Resources:</u>	<u>Food Service B - 4/5</u>	
CAFR	Current Assets	
B-4	Cash & Cash Equivalents	\$ 17,262.20
B-4	Due from Other Governments	88,985.66
B-4	Due from Other Funds	15,133.96
B-4	Other Accounts Receivable	111,026.55
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(218,793.10)
B-4	Less Accruals	
B-4	Less Due to Other Funds	(27,231.42)
B-4	Less Deferred Revenue	
	Net Cash Resources	<u><u>\$ (13,616.15)</u></u> (A)
 <u>Net Adjusted Total Operating Expense:</u>		
B-5	Total Operating Expenditures	\$ 1,244,851.63
B-5	Less Depreciation	<u>(15,250.33)</u>
	Adjusted Total Operating Expense	<u><u>\$ 1,229,601.30</u></u> (B)
 <u>Average Monthly Operating Expense:</u>		
	B / 10	<u><u>\$ 122,960.13</u></u> (C)
 <u>Three Times Monthly Average:</u>		
	3 X C	<u><u>\$ 368,880.39</u></u> (D)

TOTAL IN BOX A	\$ (13,616.15)
LESS TOTAL IN BOX D	<u>\$ 368,880.39</u>
NET	<u><u>\$ 382,496.54</u></u>

From above:

A is greater than D, cash exceeds 3 X average monthly operating expenses.

D is greater than A, cash does not exceed 3 X average monthly operating expenses.

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2014

Grade	Submission to DOE reported On Roll	Sample												
		Reported on Workpapers	Verified signed Registration Forms	Errors	Verified # days enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	120	60			60		2	2		2		58	58	
One	126	68			68		12	12		12		62	62	
Two	123	64			64		8	8		8		56	56	
Three	122	55			55		9	9		9		51	51	
Four	125	65			65		9	9		9		57	57	
Five	126	62			62		6	6		6		54	54	
Six	63	29			29		1	1		1		27	27	
Seven	63	27			27		4	4		4		22	22	
Eight	63	34			34		2	2		2		27	27	
Nine	134	73			73		10	10		10		65	65	
Ten	134	68			68		9	9		9		53	53	
Eleven	122	52			52		5	5		5		46	46	
Twelve	109	58			58		6	6		6		55	55	
Total	1,430	715	-	-	715	-	83	83	-	83	-	633	633	-

Percentage

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015

Grade	Submission to DOE reported On Roll	Reported on Workpapers	Sample												
			Verified signed Registration Forms	Errors	Verified # days enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation	Errors	
Kindergarten	120	60			60		5		5		5		52	52	
One	126	58			58		2		2		2		43	43	
Two	123	59			59		3		3		3		50	50	
Three	122	67			67		4		4		4		60	60	
Four	125	60			60		9		9		9		54	54	
Five	126	64			64		11		11		11		56	56	
Six	63	34			34		3		3		3		26	26	
Seven	63	36			36		4		4		4		29	29	
Eight	63	29			29		3		3		3		24	24	
Nine	134	61			61		9		9		9		52	52	
Ten	134	66			66		5		5		5		56	56	
Eleven	122	70			70		10		10		10		60	60	
Twelve	109	51			51		9		9		9		44	44	
Total	1,430	715	-	-	715	-	77	77	-	77	-	77	606	606	-

Percentage

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

SECTION 1

2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures Reported on CAFR Exhibit C-1	<u>\$ 19,719,119.52</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	_____ (B1a)
Transfer from Capital Reserve to Capital Projects Fund	_____ (B1b)
Transfer from General Fund to SRF for PreK-Regular	_____ (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	_____ (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>1,292,054.03</u> (B2a)
Assets Acquired Under Capital Leases	<u>268,433.51</u> (B2b)
Adjusted 2014-15 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 18,158,631.98</u> (B3)
2% of Adjusted 2014-15 General Fund Expenditures [(B3) times .02]	<u>363,172.64</u> (B4)
Enter Greater of (B4) or \$250,000	<u>363,172.64</u> (B5)
Increased by: Allowable Adjustment *	_____ (K)
Maximum Unassigned Fund Balance [(B5) + (K)]	<u>\$ 363,172.64</u> (M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2015 (Per CAFR Budgetary Comparison Schedule, Ex. C-1)	<u>\$ 3,817,586.84</u> (C)
Decreased by:	
Year-End Encumbrances	<u>956,666.15</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	_____ (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	_____ (C3)
Other Restricted Fund Balances ****	<u>1,585,548.31</u> (C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	_____ (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>1,275,372.38</u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	<u>\$ 912,199.74</u> (E)
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Recapitulation of Excess Surplus as of June 30, 2015

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	_____ (C3)
Restricted - Excess Surplus *** [(E)]	<u>912,199.74</u> (E)
Total Excess Surplus [(C3)+(E)]	<u>\$ 912,199.74</u> (D)

EXCESS SURPLUS CALCULATION (CONT'D)

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

Footnotes:

* This adjustment line (as detailed below) is to be utilized when applicable for:

Federal Impact Aid. The passage of P.L.2015, c46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2015 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4).

Sale & Lease-back, Extraordinary Aid, Additional Nonpublic School Transportation Aid, Recognized current year School Bus Advertising Revenue, and Family Crisis Transportation Aid. Refer to the Audit Program Section II, Chapter 10.

Detail of Allowable Adjustments

Federal Impact Aid	_____	(H)
Sale & Lease-back	_____	(I)
Extraordinary Aid	_____	(J1)
Additional Nonpublic School Transportation Aid	_____	(J2)
Current Year School Bus Advertising Revenue Recognized	_____	(J3)
Family Crisis Transportation Aid	_____	(J4)
 Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	 _____	 (K)

** This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2015-2016 general fund budget.

*** Amounts must agree to the June 30, 2015 CAFR and must agree to Audit Summary Line 90030.

**** Amount for Other Restricted Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not State mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	_____
Sale/lease-back reserve	_____
Capital reserve	_____
Maintenance reserve	_____
Emergency reserve	_____
Tuition reserve	_____
School bus advertising 50% fuel offset reserve - current year	_____
School bus advertising 50% fuel offset reserve - prior year	_____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	_____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	_____
Other state/government mandated reserves	\$ 75,249.14

[Other Restricted Fund Balance not noted above]**** 1,510,299.17

Total Other Restricted Fund Balance 1,585,548.31 (C4)

