

**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, 2016**



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, 2016, which were separately issued in the Comprehensive Annual Financial Report dated November 30, 2016.

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, 2016, and is intended for the information of the Charter School's management and the Division of Administration and Finance, Department of Education, State of New Jersey, 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
November 30, 2016

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
Paul Whitman	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 School District were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency 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.

Sampled payrolls were delivered to the Treasurer of School Moneys who then deposited with 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.

Travel

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

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

Classification of Expenditures

The coding of expenditures was tested 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 tested 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 Board Secretary 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 90 day grant liquidation period required by the Office of Grants Management and N.J.S.A. 18A:66-90. 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

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800.00 for 2015-16.

The Charter School's Members of the Board of Trustees 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 solicitor's opinion should be sought before a commitment is made.

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 tested 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 results provision for a guarantees that the food service program have a 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 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.

SCHOOL FOOD SERVICE (CONT'D)

Sampled applications for free and reduced price meals were tested for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and / or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was 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.

The Charter School is currently working with its food management company in order to maintain the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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, 2015 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.

FACILITIES AND CAPITAL ASSETS

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

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

There were no audit findings for the fiscal year ended June 30, 2015.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2016.

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,

Handwritten signature in cursive script that reads "Bowman & Company LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Handwritten signature in cursive script that reads "Scott P. Baum".

Public School Accountant No.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, 2016

<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	22,679	1,122	1,122		\$ 0.31	
	Reduced	20,193	1,008	1,008		2.69	
	Free	183,122	9,180	9,180		3.09	
	HHFKA*	<u>225,994</u>	<u>11,310</u>	<u>11,310</u>		0.06	
	Total	<u>451,988</u>	<u>22,620</u>	<u>22,620</u>			
School Breakfast (Severe Needs Rate)	Paid	14,165	721	721		0.29	
	Reduced	12,954	678	678		1.69	
	Free	<u>130,271</u>	<u>6,777</u>	<u>6,777</u>		1.99	
	Total	<u>157,390</u>	<u>8,176</u>	<u>8,176</u>			
Special Milk	Paid					0.20	
	Free					Average Cost	
	Total						
After School Snacks At Risk / Area Eligible (No Charge)	Paid					0.07	
	Reduced					0.42	
	Free	<u>119</u>	<u>119</u>	<u>119</u>		0.84	
	Total	<u>119</u>	<u>119</u>	<u>119</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 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, 2016

<u>Net Cash Resources:</u>	<u>Food Service B - 4/5</u>	
CAFR	Current Assets	
B-4	Cash & Cash Equivalents	15,628.61
B-4	Due from Other Governments	85,414.23
B-4	Due from Other Funds	
B-4	Other Accounts Receivable	141,183.75
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(227,279.46)
B-4	Less Accruals	
B-4	Less Due to Other Funds	(32,268.74)
B-4	Less Deferred Revenue	
	 Net Cash Resources	 <u><u>\$ (17,321.61)</u></u>

Net Adjusted Total Operating Expense:

B-5	Total Operating Expenditures	\$ 1,377,923.54	
B-5	Less Depreciation	<u>(29,619.00)</u>	
	 Adjusted Total Operating Expense	 <u><u>\$ 1,348,304.54</u></u>	 (B)

Average Monthly Operating Expense:

B / 10	<u><u>\$ 134,830.45</u></u>	(C)
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Three Times Monthly Average:

3 X C	<u><u>\$ 404,491.36</u></u>	(D)
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TOTAL IN BOX A	<u>\$ (17,321.61)</u>
LESS TOTAL IN BOX D	<u>\$ 404,491.36</u>
NET	<u><u>\$ 421,812.97</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, 2015

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	130	65			65							49	49	
One	126	64			64	3	3		3		56	56		
Two	128	71			71	7	7		7		58	58		
Three	132	68			68	5	5		5		48	48		
Four	129	57			57	6	6		6		49	49		
Five	125	66			66	5	5		5		57	57		
Six	121	57			57	3	3		3		46	46		
Seven	61	27			27	1	1		1		22	22		
Eight	67	31			31	6	6		6		25	25		
Nine	133	65			65	6	6		6		54	54		
Ten	127	70			70	3	3		3		53	53		
Eleven	133	66			66	4	4		4		51	51		
Twelve	121	55			55	4	4		4		42	42		
Total	1,533	762	-	-	762	-	53	53	-	53	-	610	610	-

Percentage

LEAP ACADEMY UNIVERSITY CHARTER SCHOOL, INC.
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2016

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	130	65			65								47	47
One	126	62			62		4	4		4			48	48
Two	128	57			57		2	2		2			45	45
Three	132	64			64		2	2		2			48	48
Four	129	72			72		10	10		10			58	58
Five	125	59			59		9	9		9			51	51
Six	121	64			64		9	9		9			51	51
Seven	61	34			34		4	4		4			30	30
Eight	67	36			36		6	6		6			29	29
Nine	133	68			68		11	11		11			54	54
Ten	127	57			57		5	5		5			44	44
Eleven	133	67			67		2	2		2			50	50
Twelve	121	66			66		6	6		6			51	51
Total	1,533	771	-	-	771	-	70	70	-	70	-	606	606	-

Percentage

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

SECTION 1

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures Reported on CAFR Exhibit C-1	<u>23,261,523.18</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>1,675,874.29</u> (B2a)
Assets Acquired Under Capital Leases	<u>365,708.00</u> (B2b)
Adjusted 2015-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>21,219,940.89</u> (B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	<u>424,398.82</u> (B4)
Enter Greater of (B4) or \$250,000	<u>424,398.82</u> (B5)
Increased by: Allowable Adjustment *	_____ (K)
Maximum Unassigned Fund Balance [(B5) + (K)]	<u>424,398.82</u> (M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2016 (Per CAFR Budgetary Comparison Schedule, Ex. C-1)	<u>2,246,467.50</u> (C)
Decreased by:	
Year-End Encumbrances	<u>15,216.39</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>1,601,204.53</u> (C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	_____ (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>630,046.58</u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	<u>205,647.76</u> (E)
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Recapitulation of Excess Surplus as of June 30, 2016

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	_____ (C3)
Restricted - Excess Surplus *** [(E)]	<u>205,647.76</u> (E)
Total Excess Surplus [(C3)+(E)]	<u>205,647.76</u> (D)

EXCESS SURPLUS CALCULATION (CONT'D)

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

Footnotes:

* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below is to be utilized when applicable for:

(H) Federal Impact Aid. The passage of P.L.2015, c.46 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, 2016 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);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);

(J1) Extraordinary Aid;

(J2) Additional Nonpublic School Transportation Aid;

(J3) Recognized current year School Bus Advertising Revenue; and

(J4) Family Crisis Transportation Aid.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

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, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2016-2017 general fund budget.

*** Amounts must agree to the June 30, 2016 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	75,589.39

[Other Restricted Fund Balance not noted above]**** 1,525,615.14

Total Other Restricted Fund Balance 1,601,204.53 (C4)

