

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL**  
**AUDITOR'S MANAGEMENT REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2016**

**Barre & Company**  
**Certified Public Accountants & Consultants**

MARIA L. VARISCO-ROGERS CHARTER SCHOOL

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

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**Report of Independent Auditors**

Honorable President and  
Members of the Board of Trustees  
Maria L. Varisco-Rogers Charter School  
County of Essex, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Maria L. Varisco-Rogers Charter School in the County of Essex for the year ended June 30, 2016, and have issued our report thereon dated November 21, 2016.

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

This report is intended for the information of the Maria L. Varisco-Rogers Charter School Board of Trustees' management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



BARRE & COMPANY  
Certified Public Accountants  
Public School Accountants



Richard M. Barre  
Public School Accountant  
PSA Number CS-O1181

November 21, 2016

## **Administrative Findings – Financial, Compliance and Performance**

### **Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and 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 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>
Jose Segarra	Business Administrator	\$220,000
Albert Barre	Assistant School Business Administrator	\$220,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$100,000.

#### Tuition Charges

A review of financial statements indicated that the Charter School charged no tuition for any student attending the Charter School and all proceeds for a before/after school program were accounted for in an Enterprise Fund.

### **Financial Planning, Accounting and Reporting**

#### Examination of Claims

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

## Administrative Findings – Financial, Compliance and Performance

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

#### Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the designee in the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

#### Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted during our review.

#### 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 test of transactions of randomly selected expenditure items. We also reviewed the coding of the all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.3*. As a result of the procedures performed, a transaction error rate of 1.90% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

##### **A. General Classification Findings**

No exceptions or discrepancies were noted in the general classification of expenditures.

##### **B. Administrative Classification Findings**

No exceptions or discrepancies were noted in the administrative classification of expenditures.

#### Board Secretary's Records

Our review of the financial and accounting records maintained by the business office disclosed no exceptions or discrepancies.

## **Administrative Findings – Financial, Compliance and Performance**

### Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) 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 the projects under Title I of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance and/or questionable cost.

### Other Special Federal and/or State Projects

Our audit of the federal and state funds on a test basis, indicated the 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 special projects.

The study of compliance for the special projects did not indicate any areas of noncompliance.

### T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but Charter Schools can print out the DOENET screen for an auditor) filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

## **Administrative Findings – Financial, Compliance and Performance**

### **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 school contracts in general (as of June 2007) is available on the 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&softpage=TOC\\_Frame\\_Pg42](http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42)

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of *N.J.S.A.* 18A:18A-3 and 4.

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 \$17,500. Effective July 1, 2013, the bidding threshold for public school student transportation was adjusted to \$18,300.

The Charter School 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 examination, 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 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 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 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.

#### **School Food Service (Continued)**

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 break even. The operating results provision has been met.

## **Administrative Findings – Financial, Compliance and Performance**

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified.

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 exceed three months average expenditures.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process that Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications 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 reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

No Exceptions Noted.

### **Student Body Activities**

During our review of the student activity funds, there were no items noted.

### **Enrollment Counts and Submissions to the Department**

Our audit procedures included a test of enrollment information reported on October 15, 2015 and the last day of school for on-roll, special education, bilingual and low-income.

### **Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings.

### **Acknowledgment**

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



School Food Service

**SCHEDULE OF MEAL COUNT ACTIVITY**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL**  
**FOOD SERVICE FUND**

**NUMBER FOR 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>(Over) Under Claim</u>
National School Lunch (Regular Rate)	Paid	4,359	100	100	-	0.31	\$ -
	Reduced	8,370	150	150	-	2.69	-
	Free	66,793	200	200	-	3.09	-
	TOTAL	79,522	450	450	-		-
School Breakfast (Severe Need Rate)	Paid	2,333	50	50	-	0.29	\$ -
	Reduced	4,878	100	100	-	1.69	-
	Free	42,910	150	150	-	1.99	-
	TOTAL	50,121	300	300	-		\$ -
After School Snacks	Paid	-	-	-	-	0.07	\$ -
	Reduced	-	-	-	-	0.42	-
	Free (Area Eligible)	8,787	25	25	-	0.84	-
	TOTAL	8,787	25	25	-		\$ -
TOTAL NET OVERCLAIM							\$ -

School Food Service

**SCHEDULE OF MEAL COUNT ACTIVITY**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL**  
**FOOD SERVICE FUND**

**NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM - STATE**  
**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>(Over) Under Claim</u>
State Reimbursement -	Paid	4,359	50	50	-	0.040	\$ -
National School Lunch	Reduced	8,370	75	75	-	0.055	-
(Regular Rate)	Free	66,793	125	125	-	0.055	-
	TOTAL	<u>79,522</u>	<u>250</u>	<u>250</u>	<u>-</u>		<u>-</u>
TOTAL NET OVERCLAIM							<u>\$ -</u>

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
NET CASH RESOURCE SCHEDULE**

**Net cash resources did/did not exceed three months of expenditures  
Proprietary Funds - Food Service  
For the Fiscal Year Ended June 30, 2016**

<u>Net Cash Resources:</u>		<b>Food Service B - 4/5</b>	
<b>CAFR</b>	*	<b>Current Assets</b>	
B-4		Cash & Cash Equiv.	\$ 201,763
B-4		Due from Other Gov'ts	16,610
B-4		Accounts Receivable	-
B-4		Investments	-
<b>CAFR</b>		<b>Current Liabilities</b>	
B-4		Less Accounts Payable	(996)
B-4		Less Accruals	-
B-4		Less Due to Other Funds	-
B-4		Less Deferred Revenue	-
		<b>Net Cash Resources</b>	<b><u>\$ 217,377.00</u></b>
			<b>(A)</b>
 <b><u>Net Adj. Total Operating Expense:</u></b>			
B-5		Tot. Operating Exp.	\$ 345,755
B-5		Less Depreciation	<u>(4,719)</u>
		Adj. Tot. Oper. Exp.	<b><u>\$ 341,036.00</u></b>
			<b>(B)</b>
 <b><u>Average Monthly Operating Expense:</u></b>			
		B / 10	<b><u>\$ 34,103.60</u></b>
			<b>(C)</b>
 <b><u>Three times monthly Average:</u></b>			
		3 X C	<b><u>\$ 102,310.80</u></b>
			<b>(D)</b>

TOTAL IN BOX A	\$	<u>217,377.00</u>	
LESS TOTAL IN BOX D	\$	<u>102,310.80</u>	
NET	\$	<b><u>115,066.20</u></b>	
From above:			
<b>A is greater than D, cash exceeds 3 X average monthly operating expenses.</b>			
<b>D is greater than A, cash does not exceed 3 X average monthly operating expenses.</b>			

\* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

SCHEDULE OF AUDITED ENROLLMENTS

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
 APPLICATION FOR CHARTER SCHOOL AID  
 ENROLLMENT COUNT AS OF OCTOBER 15, 2015

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed/ Bilingual		Verified		Errors	Verified # of Days Service Provided	Errors	Low Income	Verified Documentation	Errors
							Bilingual	Documentation	Documentation	Documentation						
Kindergarten	53	27	27		27		1		1		1			6		6
One	54	27	27		27		2		1		1			6		6
Two	54	27	27		27		1		1					6		6
Three	54	27	27		27		1		1					6		5
Four	54	27	27		27		1		1					6		6
Five	55	27	27		27		2		1		1			6		6
Six	54	27	27		27		2		1		1			6		4
Seven	55	27	27		27		1		1					6		6
Eight	54	27	27		27									6		5
Totals	487	243	243	-	243	-	11		7		4	7	4	54		50
Percentage				0.00%		0.00%			36.36%		36.36%					7.41%

SCHEDULE OF AUDITED ENROLLMENTS

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
 APPLICATION FOR CHARTER SCHOOL AID  
 ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2016

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed/		Verified		Errors	Verified # of Days Service Provided	Errors	Low Income	Verified Documentation	Errors
							Bilingual	Documentation	Documentation	Documentation						
Kindergarten	54	27	27		27		1		1		1			6		6
One	54	27	27		27		2		1		1			6		6
Two	54	27	27		27		1		1					6		6
Three	54	27	27		27		1		1					6		5
Four	54	27	27		27		1		1					6		6
Five	54	27	27		27		2		1		1			6		6
Six	54	27	27		27		2		1		1			6		4
Seven	54	27	27		27		1		1					6		6
Eight	54	27	27		27									6		5
Totals	486	243	243	-	243	-	11		7		4	7	4	54		50
Percentage				0.00%							36.36%					36.36%
																7.41%

## EXCESS SURPLUS CALCULATION

N.J.S.A. 18A:7F-7 requires that excess surplus for regular school districts and charter schools is calculated using 2% for June 30, 2005 and thereafter. Pursuant to P.L. 2007, c.62, the minimum was raised from \$100,000 to \$250,000, effective beginning with the year ending June 30, 2007.

Charter schools are not subject to the excess surplus limitations. Charter school auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter school spends "significantly less than budgeted and has accumulated a sizable surplus."

### CALCULATION:

Complete Sections 1 and 2. If the total of Section 2 is **greater** than the applicable portion of Section 1, enter the difference in Section 3. If the difference results in a negative, enter a zero in Section 3. The applicable sections are to be submitted as part of the Auditor's Management Report.

Note that beginning with the excess surplus calculation for the year ending June 30, 2012 the transfer to food services is no longer an adjustment (increase) to total general fund expenditures. This was first introduced in supporting documentation item 9 on page 123 of the 2011-12 Budget Guidelines and continues to apply to audited excess surplus at June 30, 2013.

**EXCESS SURPLUS CALCULATION**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 10,001,582 (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:	
Oh-Behalf TPAF Pension & Social Security	(821,923) (B2a)
Assets Acquired Under Capital Leases	- (B2b)
Adjusted 2015-16 General Fund Expenditures	<u>9,179,659 (B3)</u>
2% of Adjusted 2015-16 General Fund Expenditures	<u>183,593 (B4)</u>
Enter Greater of (B4) or \$250,000	250,000 (B5)
Increased by: Allowable Adjustment *	<u>- (K)</u>
Maximum Unassigned Fund Balance/Undesignated-Unreserved Fund Balance	<u>\$ 250,000 (M)</u>

**SECTION 2**

Total General Fund - Fund Balance @ 6/30/2016 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,972,145 (C)
Decrease by:	
Year-end Encumbrances	- (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 ****	- (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	<u>- (C5)</u>
Total Unassigned Fund Balance	<u>1,972,145 (U1)</u>

**SECTION 3**

Restricted Fund Balance - Excess Surplus ***	<u>\$ 1,722,145 (E)</u>
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**Recapitulation of Excess Surplus as of June 30, 2016**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ - (C3)
Reserved Excess Surplus ***	<u>1,722,145 (E)</u>
Total Excess Surplus	<u>1,722,145 (D)</u>

**EXCESS SURPLUS CALCULATION**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL**

Footnotes:

\* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid; Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10); Extraordinary Aid; Additional and Nonpublic School Transportation Aid; and recognized current year School Bus Advertising Revenue. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

**Detail of Allowable Adjustments**

Impact Aid	\$	-	(H)
Sale & Lease-back		-	(I)
Extraordinary Aid		-	(J1)
Additional Nonpublic School Transportation Aid		-	(J2)
Current Year School Bus Advertising Revenue Recognized		-	(J3)
		<u>-</u>	
Total Adjustments	\$	-	(K)

\*\* This amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amounts must agree to the June 30, 2016 CAFR and must agree to Audit Summary Worksheet Line 90030.

\*\*\*\* Amount for Other Reserved 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 an other type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of 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		-	
Other state/government mandated reserve		-	
[Other Restricted Fund Balance not noted above] ****		-	
		<u>-</u>	
Total Other Restricted Fund Balance	\$	-	(C4)