

***UNIVERSITY ACADEMY CHARTER HIGH SCHOOL***

***AUDITOR'S MANAGEMENT REPORT***

***FISCAL YEAR ENDED JUNE 30, 2016***

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

UNIVERSITY ACADEMY CHARTER HIGH 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  
University Academy Charter High School  
County of Hudson, 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 University Academy Charter High School in the County of Hudson for the year ended June 30, 2016, and have issued our report thereon dated December 2, 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 University Academy Charter High 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.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-O1181  
Barre & Company, CPAs

December 2, 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)**

Sergio Riquelme	President	\$100,000.00
Glenda Almeida	Treasurer	\$100,000.00
Nick Puzo	Business Administrator/Board Secretary	\$100,000.00

There is adequate insurance coverage with the New Jersey School Board 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.

#### **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.

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

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

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 less than 1% 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**

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

#### Treasurer's Records

There were no items noted during our review of the records of the Treasurer.  
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 Titles I and VI 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

The Charter School's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

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.

The bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is \$18,800 for 2015-2016.

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 my examination, I 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.

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

### **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. 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 (has not) been met.

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

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of trustees. No exceptions were noted.

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.



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

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

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.

### **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 on Prior Year Findings**

Not Applicable

### **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**  
**UNIVERSITY ACADEMY CHARTER HIGH 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	1,321	793	793	-	0.28	\$ -
	Reduced	2,976	1,786	1,786	-	2.58	-
	Free	23,820	14,292	14,292	-	2.98	-
	TOTAL	<u>28,117</u>	<u>16,871</u>	<u>16,871</u>	<u>-</u>		<u>-</u>
School Breakfast (Severe Need)	Paid	212	127	127	-	0.28	\$ -
	Reduced	1,044	626	626	-	1.63	-
	Free	10,651	6,391	6,391	-	1.93	-
	TOTAL	<u>11,907</u>	<u>7,144</u>	<u>7,144</u>	<u>-</u>		<u>\$ -</u>
TOTAL NET OVERCLAIM						<u>\$ -</u>	

School Food Service

**SCHEDULE OF MEAL COUNT ACTIVITY**  
**UNIVERSITY ACADEMY CHARTER HIGH 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	1,321	793	793	-	0.040	\$ -
National School Lunch	Reduced	2,976	1,786	1,786	-	0.055	-
(Regular Rate)	Free	23,820	14,292	14,292	-	0.055	-
	<b>TOTAL</b>	<b>28,117</b>	<b>16,871</b>	<b>16,871</b>	<b>-</b>		<b>-</b>
<b>TOTAL NET OVERCLAIM</b>							<b>\$ -</b>

**SCHEDULE OF AUDITED ENROLLMENTS**

**UNIVERSITY ACADEMY CHARTER HIGH 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		Verified # Days Enrolled	Special Ed/ Bilingual		Verified Documentation		Verified # of Days Service Provided	Low Income	Verified Documentation		Errors
			Errors	Registration Forms		Errors	Documentation	Documentation	Income			Documentation	Errors	
Nine	119	60	60	60	5	5	5	5	5	5	50	48	2	
Ten	119	60	59	59	7	7	7	7	7	7	46	45	1	
Eleven	105	53	51	51	6	6	6	6	6	6	42	41	1	
Twelve	95	48	47	47	7	7	7	7	7	7	32	30	2	
<b>Totals</b>	<b>438</b>	<b>221</b>	<b>217</b>	<b>217</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>170</b>	<b>164</b>	<b>6</b>	
<b>Percentage</b>			<b>1.81%</b>	<b>1.81%</b>	<b>1.81%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>			<b>3.53%</b>	

SCHEDULE OF AUDITED ENROLLMENTS

**UNIVERSITY ACADEMY CHARTER HIGH 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		Verified # Days Enrolled	Special Ed/ Bilingual		Verified Documentation		Verified # of Days Service Provided	Low Income	Verified Documentation	Errors	
			Errors	Registration Forms		Errors	Documentation	Errors	Documentation					
Nine	117	59	58	1	58	1	5	5	5	5	50	49	1	
Ten	117	59	57	2	57	2	7	7	7	7	46	46	1	
Eleven	101	51	50	1	50	1	6	6	6	6	42	41	1	
Twelve	91	46	45	1	45	1	7	7	7	7	32	31	1	
<b>Totals</b>	<b>426</b>	<b>215</b>	<b>210</b>	<b>5</b>	<b>210</b>	<b>5</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>170</b>	<b>167</b>	<b>3</b>	
<b>Percentage</b>			<b>2.33%</b>	<b>2.33%</b>		<b>2.33%</b>		<b>0.00%</b>	<b>0.00%</b>				<b>0.00%</b>	<b>1.76%</b>

## 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, 2016.

**EXCESS SURPLUS CALCULATION**

**UNIVERSITY ACADEMY CHARTER HIGH SCHOOL**

**SECTION 1**

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

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 6,724,274 (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	(662,281) (B2a)
Assets Acquired Under Capital Leases	- (B2b)
Adjusted 2015-16 General Fund Expenditures	<u>6,061,993 (B3)</u>
2% of Adjusted 2015-16 General Fund Expenditures	<u>121,240 (B4)</u>
Enter Greater of (B4) or \$250,000	250,000 (B5)
Increased by: Allowable Adjustment *	- (K)
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)	\$ 2,286,338 (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	- (C5)
Total Unassigned Fund Balance	<u>2,286,338 (U1)</u>

**SECTION 3**

Restricted Fund Balance - Excess Surplus ***	<u>\$ 2,036,338 (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>2,036,338 (E)</u>
Total Excess Surplus	<u>2,036,338 (D)</u>

**EXCESS SURPLUS CALCULATION**

**UNIVERSITY ACADEMY CHARTER HIGH 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)
		<hr/>	
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] ****		-	
		<hr/>	
Total Other Restricted Fund Balance	\$	-	(C4)