

MASTERY SCHOOLS OF CAMDEN, INC.

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

YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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YEAR ENDED JUNE 30, 2017**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Trustees
Mastery Schools of Camden, Inc.
County of Camden, 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 Mastery Schools of Camden, Inc. in the County of Camden for the year ended June 30, 2017, and have issued our report thereon dated October 12, 2017.

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 Mastery Schools of Camden, Inc. Board of Trustee's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania

A handwritten signature in cursive script that reads 'Bruce W. Braunewell'.

Bruce W. Braunewell, CPA
Public School Accountant
PSA #20CS00261400

October 12, 2017



Honorable President and
Members of the Board of Trustees
Mastery Schools of Camden, Inc.

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 school district or charter school or renaissance school project 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>
James Leonard	School Business Administrator	\$ 500,000
Joseph Ferguson	Secretary	\$ 500,000

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 processed through Payroll Accounts. Employees' payroll deductions and employer's share of fringe benefits were submitted using an outside payroll company to process payroll and deductions.

All payrolls were approved by the Superintendent 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 premium. Amounts withheld due to the general fund.

Accounts Payable

A review of outstanding payables was made as of June 30 for proper classification of orders for accounts payable. No discrepancies were noted.

Travel

The district/charter school/renaissance school project did have an approved board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12.

Honorable President and
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Mastery Schools of Camden, Inc.

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 all expenditures included in our compliance and state 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 zero percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

No exceptions noted.

B. Administrative Classification Findings

No exceptions noted.

Board and Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary did not disclose any new exceptions during the current year.

Treasurer's Records

Not Applicable.

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.

No exceptions noted.

Other Special Federal and/or State Projects

Our audit 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 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.

I.D.E.A. Part B

Not Applicable.

Honorable President and
Members of the Board of Trustees
Mastery Schools of Camden, Inc.

T.P.A.F. Reimbursement

Our audit procedures included a test and review of the calculation of the T.P.A.F. reimbursement for the current fiscal year. As of June 30, 2017, Mastery Schools of Camden, Inc. (School) has not been approved to be included in the Teacher's Pension and Annuity Fund (TPAF). As stated by N.J.S.A. 18A:66-90, the School will be reimbursed for the expenses incurred for the Social Security and FICA cost for Full-Time TPAF employees. The reimbursement was estimated based on the number of Full-Time employees that would be eligible under the TPAF plan once the School is approved. Due to the uncertainty of the School being approved for the TPAF, management has reserved the full amount of the estimated reimbursement.

No exceptions were noted.

Nonpublic State Aid

Not Applicable.

School Purchasing Programs

Not Applicable.

School Food Service

Not Applicable.

Student Body Activities

Not Applicable.

Enrollment counts and related submissions to the Department or by the renaissance school project to the renaissance school district

Finding 2017-01

Our audit procedures included review of enrollment information for all active students during July 1, 2016 through June 30, 2017 for on-roll, special education, bilingual and low-income based on enrollment as of October 15, 2016 and the last day of the school year. Our review of the enrollment counts and related submission did not disclose any exceptions during the current year. During the review of all the student files for the 5 Mastery Schools of Camden campuses, we identified missing information that should be included in the student files. Below is a summary of the missing information from a total population of 1,660 student files reviewed:

- 6 missing student existence verifications
- 5 missing address verifications
- 1 low income form
- 1 missing LEP forms

Recommendations:

We recommend school management review the student files to determine appropriate documentation is included in the files.

Honorable President and
Members of the Board of Trustees
Mastery Schools of Camden, Inc.

Management Response:

Management is committed to assuring that proper documentation is included in each student file and periodically reviews the student files at each campus. We have been improving our systems for maintenance of student records over the last three years. We have added a Network Operations Director position recently to provide increased oversight for ensuring accuracy and completeness of student records. We will continue to do regular audits during the school year to prevent any missing documents in the future.

Miscellaneous

Not Applicable.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of any prior year recommendations including findings. The following is repeated in this year's recommendations noted as current year finding 2017-01:

- During the testing of the student files, exceptions were noted for missing information from the student files.

Acknowledgment

We received the complete cooperation of all the officials of the renaissance school project and I greatly appreciate the courtesies extended to the members of the audit team.

**MASTERY SCHOOLS OF CAMDEN, INC.
ENROLLMENT COUNT AS OF OCTOBER 15, 2016
YEAR ENDED JUNE 30, 2017**

ENROLLMENT COUNT AS OF OCTOBER 15, 2016

<u>1</u>		<u>2</u>					<u>2a.</u>			<u>2b.</u>		<u>3</u>		<u>3a.</u>		
Submission to		Sample														
District reported		Reported on	Verified signed		Verified #		Special Ed/		Verified		Verified # days		Low		Verified	
Grades	On Roll	workpapers	registration forms	Errors	days enrolled	Errors	Bilingual	documentation	Errors	Service Provided	Errors	Income	documentation	Errors		
Kindergarten	93	93	90	3	93	0	19	19	0	19	0	92	92	0		
One	97	97	96	1	97	0	26	26	0	26	0	93	93	0		
Two	103	103	103	0	103	0	27	27	0	27	0	100	100	0		
Three	95	95	95	0	95	0	22	22	0	22	0	94	94	0		
Four	103	103	103	0	103	0	36	36	0	36	0	101	101	0		
Five	76	76	76	0	76	0	23	23	0	23	0	75	75	0		
Six	75	75	75	0	75	0	26	25	1	26	0	73	73	0		
Seven	77	77	77	0	77	0	26	26	0	22	0	75	75	0		
Eight	68	68	68	0	68	0	25	25	0	25	0	65	65	0		
Nine	60	60	58	2	60	0	22	22	0	22	0	58	57	1		
Ten																
Eleven																
Twelve																
Total	847	847	841	6	847	0	249	248	1	245	0	825	824	1		
Percentage				0.7%		0.0%			0.4%		0.0%			0.0%		

**MASTERY SCHOOLS OF CAMDEN, INC.
ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL
YEAR ENDED JUNE 30, 2017**

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2017

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2017																
<u>1</u>		<u>2</u>						<u>2a.</u>			<u>2b.</u>		<u>3</u>		<u>3a.</u>	
Submission to		Sample														
District reported		Reported on	Verified signed		Verified #		Special Ed/		Verified		Verified # days		Low		Verified	
Grades	On Roll	workpapers	registration	forms	Errors	days enrolled	Errors	Bilingual	documentation	Errors	Service Provided	Errors	Income	documentation	Errors	
Kindergarten	93	93	91	2	93	0	27	27	0	27	0	91	91	0		
One	93	93	93	0	93	0	30	30	0	30	0	90	90	0		
Two	102	102	101	1	102	0	32	32	0	32	0	99	99	0		
Three	91	91	90	1	91	0	25	25	0	25	0	89	89	0		
Four	99	99	99	0	99	0	37	37	0	37	0	95	95	0		
Five	77	77	77	0	77	0	28	28	0	28	0	75	75	0		
Six	70	70	70	0	70	0	26	26	0	26	0	69	69	0		
Seven	74	74	74	0	74	0	27	27	0	27	0	72	72	0		
Eight	64	64	64	0	64	0	22	22	0	22	0	63	63	0		
Nine	52	52	51	1	52	0	19	19	0	19	0	50	50	0		
Ten																
Eleven																
Twelve																
Total	813	813	808	5	813	0	271	271	0	271	0	792	792	0		
Percentage				0.6%		0.0%			0.0%			0.0%		0.0%		

**MASTERY SCHOOLS OF CAMDEN, INC.
EXCESS SURPLUS CALCULATION
JUNE 30, 2017**

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 29,622,467	(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	-	(B2a)
Assets Acquired Under Capital Leases	<u>(98,428)</u>	(B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	29,524,039	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	590,481	(B4)
Enter Greater of (B4) or \$250,000	590,481	(B5)
Increased by: Allowable Adjustment *	-	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	<u>\$ 590,481</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2017 (Per CAFR Budgetary Comparison Schedule C-1)	1,379,336	(C)
Decreased 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 ****	1,100,000	(C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	262,801	(C5)
Additional Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures July 1, 2017 - August 1, 2017		(C6)*****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 16,535</u>	(U1)

**MASTERY SCHOOLS OF CAMDEN, INC.
EXCESS SURPLUS CALCULATION (CONTINUED)
JUNE 30, 2017**

SECTION 3 - ONLY REQUIRED IF SECTION 2 IS GREATER THAN SECTION 1

Restricted Fund Balance – Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0- - (E)

Recapitulation of Excess Surplus as of June 30, 2017

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **		- (C3)
Reserved Excess Surplus ***[(E)]		- (E)
Total Excess Surplus [(C3) + (E)]	\$	- (D)

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, 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);

- (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.

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)
Family Crisis Transportation Aid		- (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$	- (K)

** This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amounts must agree to the June 30, 2017 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.

***** Increase in Assigned Fund Balance-Unreserved-Designated for Subsequent Year's expenditures July 1, 2017 to August 1, 2017 resulting from decrease in state aid after adoption of 2017-18 district budget. Refer to Commissioner's Broadcast and to page I-4.2 of this Audit Program.

**MASTERY SCHOOLS OF CAMDEN, INC.
EXCESS SURPLUS CALCULATION (CONTINUED)
JUNE 30, 2017**

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	-	
Sale/lease-back reserve		-	
Capital reserve		100,000	
Maintenance reserve		500,000	
Emergency reserve		500,000	
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 reserve		-	
[Other Restricted Fund Balance not noted above]****		-	
		<hr style="border-top: 1px solid black;"/>	
Total Other Restricted Fund Balance	\$	<u>1,100,000</u>	(C4)

**MASTERY SCHOOLS OF CAMDEN, INC.
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2017-01

Recommendation

We recommend school management review the student files to determine appropriate documentation is included in the files.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

**MASTERY SCHOOLS OF CAMDEN, INC.
AUDIT RECOMMENDATIONS SUMMARY (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

10. Status of Prior Year Audit Findings/Recommendations

In accordance with government auditing standards, our procedures included a review of any prior year recommendations including findings. The following is repeated in this year's recommendations noted as current year finding 2017-01:

- During the testing of the student files, exceptions were noted for missing information from the student files.



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