

**Hoboken Charter School**  
**Auditors' Management Report**  
**For the Fiscal Year Ended June 30, 2017**



**McIntee Fusaro Del Corral, LLC**  
*Certified Public Accountants & Forensic Consultants*

**Hoboken Charter School**  
**Auditors' Management Report on Administrative Findings**  
**Financial, Compliance and Performance**  
**Fiscal Year Ended June 30, 2017**

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**Report of Independent Auditors**

Honorable President and  
Members of the Board of Trustees  
Hoboken Charter School  
County of Hudson, New Jersey

We have audited, in accordance with generally accepted auditing 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 Hoboken Charter School in the County of Hudson for the year ended June 30, 2017 and have issued our report thereon dated November 21, 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.

We will review the status of the comments, if any, during our next audit engagement. We have already discussed the comments, recommendations and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations and suggestions, if any.

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

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Darren J. Fusaro, CPA  
Licensed Public School Accountant  
No. CS 00237100  
McIntee Fusaro Del Corral, LLC  
Fairfield, New Jersey

November 21, 2017

**Hoboken Charter School  
Auditors' Management Report  
For Fiscal Year Ended June 30, 2017**

**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.

**1. Administrative Practices and Procedures**

Insurance

Various liability, property damage, and fire insurance coverage was carried in the amounts as detailed in the Insurance Schedule contained in the Charter School's Comprehensive Annual Financial Report (CAFR). See Exhibit J-20.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Marie Hersch	Treasurer	\$ 156,000

There is a Public Faithful Performance Blanket Position Bond with The School Alliance Insurance Fund covering all other employees with multiple coverage of \$50,000.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the Charter School. Fees charged for the Enrichment Program were accounted for in the Enterprise Fund.

**2. 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 and Position Control Roster

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 withholdings due to the general fund.

Payrolls were delivered to the Board Secretary with a warrant for the full amount of each payroll.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2017 for proper classification of orders as reserve for encumbrances and accounts payable. There were no open purchase orders at year end.

Classification of Expenditures (General and Administrative)

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 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, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below herein.

Treasurer's Records

In planning and performing our audit of the financial statements of the Charter School we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures we have no comments, except as noted herein.

No Child Left Behind (N.C.L.B.)

The 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 Title I and Title II of the No Child Left Behind Act.

#### 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 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 and results pertaining to the aforementioned special projects.

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

Our audit procedures included a test of the bi-weekly 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.

### **3. School Purchasing Programs**

#### Contracts and Agreements Requiring Advertisement for Bids

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 requiring bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

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 questions arise 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 with provisions of N.J.S.A. 18A:18A-4.

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

**4. School Food Service**

The school food service was not selected as a major federal and/or state program and the state and federal program expenditures did not exceed \$100,000 in federal and/or state support. We inquired of school management, or appropriate school food service personnel, as to whether the SFA had and Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Non-program foods were not purchased, prepared or offered for sale. The Statement of Revenues, Expenditures and Changes in Net Position in the CAFR (Exhibit B-5) does not separate program and non-program revenue and program and non-program cost of goods sold.

**5. Charter School Enrollment System/Charter School Aid**

Our audit procedures included a test of information reported on the enrollment count reports for October 14, 2016 and the last day of school for on roll, bilingual and low income students and a review of the Charter School's procedures related to its completion. The information on the enrollment reports agreed to the Charter School's workpapers. The information included on the workpapers was verified on a test basis without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

**6. Miscellaneous**

Travel

Travel regulations require each Charter to adapt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations include requirements for the Charter to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be pre-approved by the Board of Trustees and Director and that a brief report detailing key issues addressed at the travel event must be submitted after the travel has occurred.

Our review of the travel policies and records revealed that the Charter School is in general compliance with the travel regulations.

**Follow-Up on Prior Year Findings**

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

**Acknowledgement**

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

Hoboken Charter School  
 Application for Charter School Aid  
 Enrollment Count as of October 14, 2016

**SCHEDULE OF AUDITED ENROLLMENTS**

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Sample Selected		Verified Signed Registration Forms		Verified # Days Enrolled		Sample Special Ed & or Bilingual		Verified Documentation		Verified # Days Service Provided		Low Income		Errors		
			Errors	0	11	11	0	11	0	1	0	0	0	0	0	0	0	0	0
Kindergarten	22	22	0	11	11	0	11	0	1	0	1	0	0	1	0	1	0	1	0
One	22	22	0	11	11	0	11	0	0	0	0	0	0	0	0	1	0	1	0
Two	22	22	0	11	11	0	11	0	0	0	0	0	0	0	0	0	0	0	0
Three	22	22	0	11	11	0	11	0	1	0	1	0	0	0	0	0	0	0	0
Four	22	22	0	12	12	0	12	0	2	0	2	0	0	2	0	0	0	0	0
Five	22	22	0	12	12	0	12	0	1	0	1	0	0	1	0	0	0	0	0
Six	22	22	0	11	11	0	11	0	0	0	0	0	0	0	0	2	0	2	0
Seven	22	22	0	12	12	0	12	0	0	0	0	0	0	0	0	0	0	0	0
Eight	22	22	0	11	11	0	11	0	1	0	1	0	0	1	0	3	0	3	0
Nine	25	25	0	13	13	0	13	0	4	0	4	0	0	4	0	11	0	11	0
Ten	24	24	0	13	13	0	13	0	1	0	1	0	0	1	0	9	0	9	0
Eleven	25	25	0	13	13	0	13	0	0	0	0	0	0	0	0	6	0	6	0
Twelve	25	25	0	13	13	0	13	0	4	0	4	0	0	4	0	11	0	11	0
<b>Total</b>	297	297	0	154	154	0	154	0	15	0	15	0	0	15	0	44	0	44	0

0.00%

0.00%

0.00%

0.00%

0.00%

0.00%

Percentage Error



Hoboken Charter School  
 Application for Charter School Aid  
 Enrollment Count as of Last Day of School Year 2017

SCHEDULE OF AUDITED ENROLLMENTS

Grades	Submission to DOE Reported on Roll		Reported on Workpapers		Sample Selected		Verified Signed Registration Forms		Verified # Days Enrolled		Sample Special Ed & or Bilingual		Verified Documentation		Low Income		Verified # Days Service Provided		Errors	
	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Kindergarten	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
One	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Two	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Three	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Four	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Five	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Six	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Seven	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Eight	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Nine	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Ten	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Eleven	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
Twelve	22	25	22	25	11	13	11	13	11	13	0	25	0	25	0	43	0	25	0	43
<b>Total</b>	<b>298</b>	<b>298</b>	<b>298</b>	<b>298</b>	<b>155</b>	<b>155</b>	<b>155</b>	<b>155</b>	<b>155</b>	<b>155</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>43</b>	<b>0</b>	<b>25</b>	<b>0</b>	<b>43</b>
Percentage Error					0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

**Hoboken Charter School  
Calculation of Excess Surplus  
For the Fiscal Year Ended June 30, 2017**

**EXCESS SURPLUS CALCULATION**

**SECTION 1**

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1		\$	<u>5,301,198</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 and Social Security	\$	573,823			(B2a)
Assets Acquired under Capital Leases	\$	-			(B2b)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B-2s)]	\$	<u>4,727,375</u>			(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$	<u>94,548</u>			(B4)
Enter Greater of (B4) or \$250,000	\$	<u>250,000</u>			(B5)
Increased by Allowable Adjustment*	\$	-			(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]		\$	<u>250,000</u>		(M)

**SECTION 2**

Total General Fund - Fund Balance @ 6/30/17 (Per CAFR Budgetary Comparison Schedule C-1)		\$	<u>1,079,292</u>		(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 ****	\$	-			(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent year's Expenditures	\$	-			(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)-(C6)]		\$	<u>1,079,292</u>		(U1)

**SECTION 3**

Restricted Fund Balance - Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0-		\$	<u>829,292</u>		
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**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)

Charter Schools are not subject to the excess surplus limitations. Charter school auditors only 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€, 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.'

**Hoboken Charter School**  
**Audit Recommendation Summary**  
**For the Fiscal Year Ended June 30, 2017**

Recommendations:

1. Administrative Practices and Procedures  
None
2. Financial Planning Accounting and Reporting  
None
3. School Purchasing Program  
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
10. Status of Prior Year Audit Findings/Recommendations  
None