

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

# NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Table of Contents  
June 30, 2018

---

	<u>Pages</u>
Report of Independent Auditors .....	1
Scope of Audit .....	2
<b>Administrative Practices and Procedures</b>	
Insurance .....	2
Official Bonds .....	2
<b>Financial Planning, Accounting and Reporting</b>	
Examination and Payment of Claims .....	2
Travel .....	2
Payroll Account.....	2
Reserve for Encumbrances and Accounts Payable.....	2
<b>School Purchasing Programs</b>	
School Food Service .....	3
Board's Secretary Accounting Records.....	3
Contracts and Agreements Requiring Advertisements for Bids.....	3
Enrollment Counts and Submissions to the Department .....	
T.P.A.F. Reimbursement .....	4
T.P.A.F. Reimbursement to the State for Federal Salary Expenditures .....	4
Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School Act (IASA) .....	4
Other Special Federal and/or State Projects .....	5
Classification of Expenditures .....	5
<b>Miscellaneous</b>	
Testing for Lead of All Drinking Water in Educational Facilities .....	5
Follow-Up on Prior Year Findings .....	5
Acknowledgement .....	6
Schedule of Meal Count Activity .....	7
Schedule of Audited Enrollments .....	8 - 9
Net Cash Resource Schedule .....	10
Audit Synopsis Recommendations.....	11
Excess Surplus Calculation .....	12 - 13



50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpa.com

Independent Auditor's Report

To the Board of Trustees of  
North Star Academy Charter School of Newark:

**Report on the Financial Statements**

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 North Star Academy Charter School of Newark, in the County of Essex, as of and for the year ended June 30, 2018, and have issued our report thereon dated November 13, 2018.

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

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

*Alexander, Crosson, Pinning & Co., P.C.*  
Westborough, Massachusetts  
November 13, 2018

John R. Buckley, C.P.A.  
Public School Accountant  
PSA #20CS00271800

## **ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE AND PERFORMANCE**

### Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator, 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 in Exhibit J-20, Insurance Schedule contained in the Charter School CAFR.

### Official Bonds

<u>Name</u>	<u>Position</u>
Sandra Franco	Director of Accounting

There are the following bonds:

- Faithful Performance bond in the amount of \$50,000.
- Money and securities in the amount of \$50,000.
- Fidelity bond in the name of a related party, Uncommon Schools, Inc., which extends to the Charter School in the amount of \$1,000,000.

## **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.

### Travel

The Charter School 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*.

### 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 Superintendent and were certified by the President of the Board, the Board Secretary/Business Administrator, and the Chief School Administrator.

### Reserve for Encumbrances and Accounts Payable

A review of outstanding payables was made as of June 30, 2018, for proper classification of orders for accounts payable. No discrepancies were noted.

## **SCHOOL PURCHASING PROGRAMS**

### 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.

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 Charter School utilized an outside service to prepare and serve the meals. The outside service was paid based upon a per diem rate.

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 (see page 9).

Exhibits reflecting Child Nutrition Operations are included in Section G of the CAFR.

### 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 year.

### Contracts and Agreements Requiring Advertisements 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 is available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

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 2017-18.

The district board of education/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 with the provision 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*.

## **SCHEDULE OF AUDITED ENROLLMENTS**

### Enrollment Counts and Submissions to the Department

#### **Finding 2018-01**

Our audit procedures included test of information reported on the October 15, 2017, and the last day of school for on-roll, special education, bilingual and low income. During our testing of 100% of the students, 3,713 classified as low-income throughout fiscal year 2018, twenty-three applications of students' meal type of free and reduced price did not agree to the Charter School Enrollment (CHE), resulting in an incorrect classification of the meal type on the CHE. In addition, of the fifty-seven students classified as LEP per the CHE and the Charter School's internal tracking, seventeen students between the reports did not agree. Though these discrepancies do not affect the billing for these students, there is a misclassification of students between the reports.

#### *Recommendation:*

Management should ensure all students are properly classified in the CHE to ensure the meal type and LEP students are correctly entered in the CHE, as these should be administratively tracked.

#### *Management Response:*

Efforts will be made to review and reconcile the information following the manual updates in CHE prior to the close of the system.

The Charter School has adequate written procedures for the recording of student enrollment data.

The Charter School maintained work papers on the prescribed state forms or their equivalent.

### Teachers' Pension and Annuity Fund Reimbursement

Our audit procedures included a test of reimbursement forms filed with the Department of Education for charter school employees who are members of the Teachers' Pension and Annuity Fund. No exceptions noted.

### Teachers' Pension and Annuity Fund Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) 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. The expenditure was reviewed subsequent to the reimbursement and or state that no exceptions were noted.

### 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. 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. No exceptions noted.

## **SCHEDULE OF AUDITED ENROLLMENTS (Continued)**

### Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Exhibit E-1 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 pertaining to the aforementioned special projects.

### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A23A-23A-16(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. 6A23A-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.

## **MISCELLANEOUS**

### Testing for Lead of All Drinking Water in Educational Facilities

#### **Finding 2018-02**

The Charter School could not provide evidence that the annual Statement of Assurance to the Department of Education, pursuant to *N.J.A.C. 6A:26-12.4(g)*.

#### *Recommendation:*

The Charter School should maintain evidence for testing of lead in water in accordance with *N.J.A.C. 6A:26-1.2* and *12.4*.

## **FOLLOW-UP ON PRIOR YEAR FINDINGS**

In accordance with government auditing standards, our procedures included a review of the prior year findings. No recommendations were reported in the prior year.

**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.

John R. Buckley, CPA



**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -Federal  
ENTERPRISE FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>PROGRAM</b>	<b>MEAL CATEGORY</b>	<b>MEALS CLAIMED</b>	<b>MEALS TESTED</b>	<b>MEALS VERIFIED</b>	<b>DIFFERENCE</b>	<b>RATE (a)</b>	<b>(OVER) UNDER CLAIM (b)</b>
National School Lunch (Regular Rate)	Paid	55,380	55,380	55,380	0	3.285	0.00
National School Lunch (Regular Rate)	Reduced	54,861	54,861	53,068	(1,793)	2.885	0.00 *
National School Lunch (Regular Rate)	Free	416,059	416,059	415,575	(484)	0.36	0.00 *
	<b>TOTAL</b>	<u>526,300</u>	<u>526,300</u>	<u>524,023</u>			<u>0.00</u>
School Breakfast (Regular Rate)	Paid	23,439	23,439	23,439	0	2.09	0.00
	Reduced	23,283	23,283	22,700	(583)	1.79	0.00 *
	Free	188,097	188,097	187,921	(176)	0.30	0.00 *
	<b>TOTAL</b>	<u>234,819</u>	<u>234,819</u>	<u>234,060</u>			<u>0.00</u>

\* The difference between meals tested and meals verified did not have an effect on total dollars claimed.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF OCTOBER 15, 2017**

Grades	Submission to DOE reported On Roll	Sample												
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	538	269	269	0	269	0	15	15	0	15	0	447	447	0
One	549	275	275	0	275	0	34	34	0	34	0	482	482	0
Two	452	226	226	0	226	0	44	44	0	44	0	403	403	0
Three	455	228	228	0	228	0	32	32	0	32	0	393	393	0
Four	424	212	212	0	212	0	21	21	0	21	0	374	374	0
Five	459	230	230	0	230	0	39	39	0	39	0	405	405	0
Six	450	225	225	0	225	0	51	51	0	51	0	381	381	0
Seven	448	224	224	0	224	0	68	68	0	68	0	381	381	0
Eight	346	173	173	0	173	0	42	42	0	42	0	301	301	0
Nine	327	164	164	0	164	0	35	35	0	35	0	274	274	0
Ten	272	136	136	0	136	0	33	33	0	33	0	225	225	0
Eleven	158	79	79	0	79	0	27	27	0	27	0	126	126	0
Twelve	123	62	62	0	62	0	10	10	0	10	0	78	78	0
<b>Total</b>	<b>5001</b>	<b>2503</b>	<b>2503</b>	<b>0</b>	<b>2503</b>	<b>0</b>	<b>451</b>	<b>451</b>	<b>0</b>	<b>451</b>	<b>0</b>	<b>4270</b>	<b>4270</b>	<b>0</b>
<b>Percentage</b>				<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF THE LAST DAY OF SCHOOL**

Grades	Submission to DOE reported On Roll	Sample												
		Reported on workpapers	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified documentation	Errors
Kindergarten	545	273	273	0	273	0	15	15	0	15	0	447	447	0
One	559	280	280	0	280	0	34	34	0	34	0	482	482	0
Two	458	229	229	0	229	0	44	44	0	44	0	403	403	0
Three	458	229	229	0	229	0	32	32	0	32	0	393	393	0
Four	426	213	213	0	213	0	21	21	0	21	0	374	374	0
Five	463	232	232	0	232	0	39	39	0	39	0	405	405	0
Six	459	230	230	0	230	0	51	51	0	51	0	381	381	0
Seven	455	228	228	0	228	0	68	68	0	68	0	381	381	0
Eight	355	178	178	0	178	0	42	42	0	42	0	301	301	0
Nine	337	169	169	0	169	0	35	35	0	35	0	274	274	0
Ten	276	138	138	0	138	0	33	33	0	33	0	225	225	0
Eleven	158	79	79	0	79	0	27	27	0	27	0	126	126	0
Twelve	123	62	62	0	62	0	10	10	0	10	0	78	78	0
<b>Total</b>	<b>5072</b>	<b>2540</b>	<b>2540</b>	<b>0</b>	<b>2540</b>	<b>0</b>	<b>451</b>	<b>451</b>	<b>0</b>	<b>451</b>	<b>0</b>	<b>4270</b>	<b>4270</b>	<b>0</b>
Percentage				0%		0%			0%		0%			0%

**NET CASH RESOURCE SCHEDULE**

**Net Cash Resources did/did not exceed Three Months of Expenditures  
Proprietary Funds - Food Service  
FYE June 30, 2018**

<u>Net Cash Resources:</u>			<b>Food Service B - 4/5</b>	
<b>CAFR</b>	*	<b>Current Assets</b>		
B-4		Accounts Receivable	\$ 561,187	
<b>CAFR</b>		<b>Current Liabilities</b>		
B-4		Less Accounts Payable	<u>(531,245)</u>	
		<b>Net Cash Resources</b>	<u><u>\$ 29,942</u></u>	<b>(A)</b>

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	<u>\$ 2,485,142</u>	
	Adj. Tot. Oper. Exp.	<u><u>\$ 2,485,142</u></u>	<b>(B)</b>

Average Monthly Operating Expense:

B / 10	<u><u>\$ 248,514</u></u>	<b>(C)</b>
--------	--------------------------	------------

Three times monthly Average:

3 X C	<u><u>\$ 745,543</u></u>	<b>(D)</b>
-------	--------------------------	------------

TOTAL IN BOX A	\$ 29,942.00
LESS TOTAL IN BOX D	\$ (745,542.60)
NET	\$ <b>(715,600.60)</b>

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.**

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

SOURCE - USDA resource management comprehensive review form

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**

Audit Synopsis Recommendations  
June 30, 2018

---

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**Finding 2018-01**

*Recommendation:*

Management should ensure all students are properly classified in the CHE to ensure the meal type and LEP students are correctly entered in the CHE, as these should be administratively tracked.

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

Not applicable

6. Application for State and School Aid

None

7. Pupil Transportation

Not applicable

8. Facilities and Capital Assets

Not applicable

9. Miscellaneous

**Finding 2018-02**

*Recommendation:*

The Charter School should maintain evidence for testing of lead in water in accordance with N.J.A.C. 6A:26-1.2 and 12.4.

10. Status of Prior Year's Findings and Recommendations

Not applicable

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**

Excess Surplus Calculation  
June 30, 2018

---

EXCESS SURPLUS CALCULATION

**SECTION 1**

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

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 80,308,067</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ 4,586,706</u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ _____</u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	<u>\$ _____</u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	<u>\$ _____</u>	(B1d)

Decreased by:		
On-Behalf TPAF Pension & Social Security	<u>\$ 6,543,138</u>	(B2a)
Assets Acquired Under Capital Leases	<u>\$ _____</u>	(B2b)

Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)] \$ 78,351,635 (B3)

2% of Adjusted 2017-18 General Fund Expenditures		
[(B3) times .02]	<u>\$ 1,567,032</u>	(B4)
Enter Greater of (B4) or \$250,000	<u>\$ 1,567,032</u>	(B4)
Increased by: Allowable Adjustment	<u>\$ _____</u>	(K)

Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)] \$ 1,470,326 (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/2018		
(Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 20,298,319</u>	(C)
Decreased by:		
Year-end Encumbrances	<u>\$ _____</u>	(C1)
Legally Restricted – Designated for Subsequent Year’s Expenditures	<u>\$ _____</u>	(C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year’s Expenditures	<u>\$ _____</u>	(C3)
Other Restricted Fund Balances	<u>\$ 287,101</u>	(C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	<u>\$ 8,701,199</u>	(C5)
Total Unassigned Fund Balance		
[(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 11,310,019</u>	(U1)

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK**

Excess Surplus Calculation  
June 30, 2018

---

EXCESS SURPLUS CALCULATION (Continued)

**SECTION 2**

Restricted Fund Balance – Excess Surplus [(U1)-(M)] \$ 9,839,693 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures	<u>\$</u> _____ - (C3)
Reserved Excess Surplus [(E)]	<u>\$ 9,839,693</u> (E)
Total Excess Surplus [(C3) + (E)]	<u>\$ 9,839,693</u>