

***SOARING HEIGHTS CHARTER SCHOOL
AUDITOR'S MANAGEMENT REPORT
FISCAL YEAR ENDED JUNE 30, 2018***

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

SOARING HEIGHTS 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
Soaring Heights Charter 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 Soaring Heights Charter School in the County of Hudson for the year ended June 30, 2018, and have issued our report thereon dated January 28, 2019.

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 Soaring Heights 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 LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
January 28, 2019

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> |
|------------------|------------------------|---------------|
| Angelo Vilardi | Business Administrator | \$200,000.00 |
| Caterina Bilotti | Treasurer | \$200,000.00 |

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 Agency 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 treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

Administrative Findings – Financial, Compliance and Performance

Financial Planning, Accounting and Reporting (Continued)

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.

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.

Administrative Findings – Financial, Compliance and Performance

Financial Planning, Accounting and Reporting (Continued)

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.

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

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 \$18,300 for 2017-2018.

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.

Administrative Findings – Financial, Compliance and Performance

School Purchasing Programs (Continued)

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*.

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 and the last day of school for on-roll, special education, bilingual and low-income. The October 15, 2016 enrollment report was not available.

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.

SCHEDULE OF AUDITED ENROLLMENTS

SOARING HEIGHTS CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2017

| Grades | Submission to DOE Reported on Roll | Reported on Workpapers | Verified Signed Registration Forms | Errors | Verified # Days Enrolled | Errors | Sample | | | | Errors | Percentage |
|--------------|--|---------------------------|---------------------------------------|--------|-----------------------------|--------|--------------------------|---------------------------|--------|--|--------|------------|
| | | | | | | | Special Ed/ Bilingual | Verified Documentation | Errors | Verified # of Days Service Provided | | |
| Kindergarten | 24 | 24 | 24 | | 24 | | 1 | 1 | 1 | 1 | 3 | |
| One | 24 | 24 | 24 | | 24 | | 1 | 1 | 1 | 1 | 6 | |
| Three | 48 | 48 | 48 | | 48 | | 1 | 1 | 1 | 18 | 18 | |
| Four | 24 | 24 | 24 | | 24 | | - | - | - | 7 | 7 | |
| Five | 25 | 25 | 25 | | 25 | | 1 | 1 | 1 | 1 | 5 | |
| Six | 24 | 24 | 24 | | 24 | | 3 | 3 | 3 | 14 | 14 | |
| Seven | 24 | 24 | 24 | | 24 | | 2 | 2 | 2 | 5 | 5 | |
| Eight | 24 | 24 | 24 | | 24 | | 1 | 1 | 1 | 7 | 7 | |
| Totals | 265 | 265 | 265 | - | 265 | - | 11 | 11 | 11 | 76 | 76 | - |

Percentage 0.00% 0.00% 0.00% 0.00% 0.00% 0.00% 0.00%

SCHEDULE OF AUDITED ENROLLMENTS

SOARING HEIGHTS CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2018

| Grades | Submission to DOE Reported on Roll | Reported on Workpapers | Verified Signed Registration Forms | Errors | Verified # Days Enrolled | Special Ed/ Bilingual | Sample | | Verified # of Days Service Provided | Errors | Low Income | Verified Documentation | Errors |
|---------------|--|---------------------------|---------------------------------------|----------|-----------------------------|--------------------------|---------------------------|-----------|--|----------|---------------|---------------------------|----------|
| | | | | | | | Verified Documentation | Errors | | | | | |
| Kindergarten | 24 | 24 | 24 | | 24 | 2 | 2 | 2 | 2 | | 2 | 2 | |
| One | 24 | 24 | 24 | | 24 | 1 | 1 | 1 | 1 | | 6 | 6 | |
| Two | 48 | 48 | 48 | | 48 | 1 | 1 | 1 | 1 | | 11 | 11 | |
| Three | 48 | 48 | 48 | | 48 | 1 | 1 | 1 | 1 | | 18 | 18 | |
| Four | 24 | 24 | 24 | | 24 | - | - | - | - | | 7 | 7 | |
| Five | 25 | 25 | 25 | | 25 | 1 | 1 | 1 | 1 | | 5 | 5 | |
| Six | 24 | 24 | 24 | | 24 | 3 | 3 | 3 | 3 | | 14 | 14 | |
| Seven | 24 | 24 | 24 | | 24 | 2 | 2 | 2 | 2 | | 5 | 5 | |
| Eight | 24 | 24 | 24 | | 24 | 1 | 1 | 1 | 1 | | 7 | 7 | |
| Totals | 265 | 265 | 265 | - | 265 | 12 | 12 | 12 | 12 | - | 75 | 75 | - |
| Percentage | | | | 0.00% | | | | | | 0.00% | | | 0.00% |

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, 2018.

EXCESS SURPLUS CALCULATION

SOARING HEIGHTS CHARTER SCHOOL

SECTION 1

A. 2% Calculation of Excess Surplus

| | | |
|--|-----------------------|-----------------------|
| 2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1 | \$ 3,266,066 (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 | (374,855) (B2a) | |
| Assets Acquired Under Capital Leases | - (B2b) | |
| Adjusted 2017-18 General Fund Expenditures | <u>2,891,211 (B3)</u> | |
| 2% of Adjusted 2017-18 General Fund Expenditures | <u>57,824 (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 @ 6/30/2018 (Per CAFR Budgetary Comparison Schedule C-1) | \$ 164,244 (C) | |
| Decrease by: | | |
| Year-end Encumbrances | (42,988) (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>121,256 (U1)</u> |

SECTION 3

| | |
|--|-----------------|
| Restricted Fund Balance - Excess Surplus *** | <u>\$ - (E)</u> |
|--|-----------------|

Recapitulation of Excess Surplus as of June 30, 2018

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

EXCESS SURPLUS CALCULATION

SOARING HEIGHTS 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, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2018 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) |

**SOARING HEIGHTS CHARTER SCHOOL
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Findings and Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid/Charter School Enrollment System/Charter 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