

**MILLVILLE PUBLIC CHARTER SCHOOL
COUNTY OF CUMBERLAND**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**



MILLVILLE PUBLIC CHARTER SCHOOL
Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

Table of Contents

	<u>Page</u>
Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance	1
Scope of Audit	2
Administrative Practices and Procedures	2
Insurance	2
Official Bonds	2
Tuition Charges	N/A
Financial Planning, Accounting and Reporting	2
Examination of Claims	2
Payroll Account	2
Employee Position Control Roster	N/A
Encumbrances and Accounts Payable	2
Travel	3
Classification of Expenditures	3
• General Classifications	3
• Administrative Classifications	3
Board Secretary's Records	3
Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (E.S.S.A.)	3
Other Special Federal and / or State Projects	3
T.P.A.F. Reimbursement	3
T.P.A.F. Reimbursement to the State for Federal Salary Expenditures	3
School Purchasing Programs	4
Contracts and Agreements Requiring Advertisement for Bids	4
School Food Service	4
Student Body Activities	5
Application for State School Aid (ASSA)	N/A
Enrollment Counts and Submissions to the Department	5
Pupil Transportation	N/A
Facilities and Capital Assets	5
Miscellaneous	5
Testing for Lead of All Drinking Water in Education Facilities	5
Follow-up on Prior Year Findings	5
Acknowledgment	6
Schedule of Meal Count Activity	7
Schedule of Net Cash Resources	8
Schedule of Audited Enrollments	9
Excess Surplus Calculation	11
Audit Recommendations Summary	13

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

The Honorable President and
Members of the Board of Trustees
Millville Public Charter School
County of Cumberland, New Jersey 08332

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 the Board of Trustees of the Millville Public Charter School, in the County of Cumberland, State of New Jersey, as of and for the fiscal year ended June 30, 2019, which were separately issued in the Comprehensive Annual Financial Report dated December 19, 2019.

As part of our audit, we also 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 issued in conjunction with the Comprehensive Annual Financial Report of the Board of Trustees of the Millville Public Charter School, for the fiscal year ended June 30, 2019, and is intended for the information of the 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.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Michael D. Cesaro
Certified Public Accountant
Public School Accountant No. CS 01191

Voorhees, New Jersey
December 19, 2019

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 on exhibit J-20, insurance schedule, contained in the Charter School's Comprehensive Annual Financial Report (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>
Christina Murphy	Board Secretary / School Business Administrator	\$175,000.00

There is a blanket dishonesty bond covering all other employees with the following coverage: \$500,000.00 per loss.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING

Examination of Claims

Sampled claims paid during the fiscal year under audit did not indicate any reportable noncompliance with respect to signatures, certification, or supporting documentation.

Payroll Account

The net salaries of sampled employees of the Charter School were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency account.

Sampled payrolls were approved by the Executive Director and were certified by the President of the Board and the Board Secretary / School Business Administrator.

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Sampled payrolls were delivered to the Board Secretary who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample did not indicate any reportable noncompliance with respect to classification of orders.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Travel

A sample of travel expenditures during the fiscal year under audit did not indicate any reportable noncompliance.

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 randomly sampled expenditure transactions. We also tested the coding of all expenditures included in our compliance and single audit sampling procedures. In addition, a sample was selected that specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. Our samples did not indicate any reportable noncompliance with respect to classification of expenditures.

Board Secretary's Records

Our audit of the financial and accounting records maintained by the Board Secretary indicated that they were in satisfactory condition.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (E.S.S.A.)

The E.S.S.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, Titles II and Titles IV of the Every Student Succeeds Act.

Other Special Federal and / or State Projects

The Charter School's other special projects were approved as listed on exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a sample 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 other special projects.

The audit of compliance for other special projects did not indicate any reportable noncompliance.

TPAF Reimbursement

Our audit procedures included a sample of the biweekly reimbursements employees who are members of the Teachers' Pension and Annuity Fund. No exceptions were noted.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's final report(s) for all federal awards for the Charter School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School 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 and N.J.S.A. 18A:66-90. The expenditure was inspected subsequent to the reimbursement and 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 the school contracts in general, are available on the following website:

<https://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at:

<http://www.njleg.state.nj.us/>

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (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 \$19,000.00 for 2018-19.

The Charter School's Members of the Board of Trustees have 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 audit, 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.

SCHOOL FOOD SERVICE

The financial transactions and statistical records of the school food service fund were audited. The financial accounts, meal count records, and eligibility applications were tested on a sample basis. No exceptions were noted.

Cash receipts and bank records were sampled for timely deposit. No exceptions were noted.

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 Fixed Price contract / addendum were inspected and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$42,892.53. The operating results provision has been met. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the food service account and reconciled to supporting documentation at least annually.

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

Sampled time sheets were tested and labor costs verified. Payroll records were maintained on all sampled school food service employees authorized by the Charter School. No exceptions were noted.

SCHOOL FOOD SERVICE (CONT'D)

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted / certified in a timely manner.

Sampled applications for free and reduced price meals were tested 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 inspected for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for audit.

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.

The statement of revenues, expenses, and changes in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

STUDENT BODY ACTIVITIES

Our audit of the financial and accounting records for student activities indicated that they were in satisfactory condition.

ENROLLMENT COUNTS AND SUBMISSIONS TO THE DEPARTMENT

Our audit procedures included a sample of enrollment information on October 15, 2018 and the last day of school for on-roll, special education, bilingual and low-income. The results of our procedures are presented in the schedule of audited enrollments.

FACILITIES AND CAPITAL ASSETS

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

MISCELLANEOUS

Testing for Lead of All Drinking Water in Education Facilities

The Charter School complied with all the requirements of N.J.A.C. 6A:26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The Charter School submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2019.

ACKNOWLEDGMENT

We received the complete cooperation of all of the officials of the Charter School and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

A handwritten signature in cursive script that reads "Bowman & Company LLP".

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

A handwritten signature in cursive script that reads "Michael D. Cesaro".

Michael D. Cesaro
Public School Accountant No.01191

MILLVILLE PUBLIC CHARTER SCHOOL
 Schedule of Meal Count Activity
 Food Service Fund
 Number of Meals Served and (Over) / Underclaim - Federal
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2019

<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>Estimated (Over) / Under Claim</u>
National School Lunch (High Rate)	Paid	11,772	1,034	1,034	-	\$ 0.33	\$ -
	Reduced	9,134	825	825	-	2.93	-
	Free	<u>63,752</u>	<u>4,715</u>	<u>4,715</u>	<u>-</u>	3.33	<u>-</u>
	Total	<u>84,658</u>	<u>6,574</u>	<u>6,574</u>			<u>-</u>
National School Lunch	HHFKA - PB Lunch Only	<u>84,658</u>	<u>6,574</u>	<u>6,574</u>	-	0.06	<u>-</u>
School Breakfast (Severe Need Rate)	Paid	3,749	353	353	-	0.31	-
	Reduced	4,447	404	404	-	1.84	-
	Free	<u>45,067</u>	<u>3,044</u>	<u>3,044</u>	<u>-</u>	2.14	<u>-</u>
	Total	<u>53,263</u>	<u>3,801</u>	<u>3,801</u>	<u>-</u>		<u>-</u>
Special Milk	Paid				-	0.2050	-
After School Snacks	Paid				-	0.08	-
	Reduced				-	0.45	-
	Free (Area Eligible)				-	0.91	-
	Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
CACFP (d) - Food	Free				-	3.16	-
CACFP (d) - Cash-in-lieu of USDA Foods	Free				-	0.2350	-
Total Net Underclaim / (Overclaim)							<u>\$ -</u>

MILLVILLE PUBLIC CHARTER SCHOOL
 Schedule of Net Cash Resources
 Net Cash Resources Did Not Exceed Three Months of Expenditures
 Proprietary Funds - Food Service Fund
 For the Fiscal Year Ended June 30, 2019

<u>Net Cash Resources:</u>	<u>Food Service B - 4/5</u>	
CAFR	Current Assets	
B-4	Cash & Cash Equivalents	
B-4	Due from Other Governments	\$ 29,497.80
B-4	Due from Other Funds	
B-4	Accounts Receivable	
CAFR	Current Liabilities	
B-4	Less Accounts Payable	
B-4	Less Accruals	
B-4	Less Due to Other Funds	(16,710.06)
B-4	Less Unearned Revenue	
	 Net Cash Resources	 <u><u>\$ 12,787.74</u></u>

<u>Net Adjusted Total Operating Expense:</u>		
B-5	Total Operating Expenditures	\$ 445,497.10
B-5	Less Depreciation	<u>-</u>
	 Adjusted Total Operating Expense	 <u><u>\$ 445,497.10</u></u>

<u>Average Monthly Operating Expense:</u>		
	B / 10	<u><u>\$ 44,549.71</u></u>

<u>Three Times Monthly Average:</u>		
	3 X C	<u><u>\$ 133,649.13</u></u>

TOTAL IN BOX A	\$ 12,787.74
LESS TOTAL IN BOX D	<u>\$ 133,649.13</u>
NET	<u><u>\$ (120,861.39)</u></u>

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.

MILLVILLE PUBLIC CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2018

Grade	Submission to DOE reported On Roll	Reported on Workpapers	Sample												
			Verified signed Registration Forms	Errors	Verified # days enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Verified # days Service Provided	Errors	Low Income	Verified Documentation	Errors	
Kindergarten	25	10			10								9	9	
One	33	16			16								10	10	
Two	30	14			14		2	2		2			8	8	
Three	21	13			13		2	2		2			8	8	
Four	31	15			15								9	9	
Five	30	21			21		6	6		6			9	9	
Six	24	12			12		1	1		1			8	8	
Seven	33	15			15		2	2		2			8	8	
Eight	17	6			6		1	1		1			5	5	
Nine															
Ten															
Eleven															
Twelve															
Total	244	122	-	-	122	-	14	14		14			74	74	-

Percentage

MILLVILLE PUBLIC CHARTER SCHOOL
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2019

Grade	Submission to DOE reported On Roll	Reported on Workpapers	Verified signed		Verified		Sample			Verified # days		Verified		
			Registration Forms	Errors	# days enrolled	Errors	Special Ed & or Bilingual	Verified Documentation	Errors	Service Provided	Errors	Low Income	Documentation	Errors
Kindergarten	25	15			15							10	10	
One	33	17			17							10	10	
Two	30	16			16							12	12	
Three	21	8			8		1	1		1		7	7	
Four	31	16			16		2	2		2		8	8	
Five	30	9			9							7	7	
Six	24	12			12		1	1		1		8	8	
Seven	33	18			18		3	3		3		7	7	
Eight	17	11			11		1	1		1		4	4	
Nine														
Ten														
Eleven														
Twelve														
Total	244	122	-	-	122	-	8	8	-	8	-	73	73	-

Percentage

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

SECTION 1

2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures Reported on CAFR Exhibit C-1	\$ 2,713,550.80 (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	508,218.72 (B2a)
Assets Acquired Under Capital Leases	21,293.17 (B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 2,184,038.91 (B3)</u>
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	<u>\$ 43,680.78 (B4)</u>
Enter Greater of (B4) or \$250,000	<u>250,000.00 (B5)</u>
Increased by: Allowable Adjustment *	_____ (K)
Maximum Unassigned Fund Balance [(B5) + (K)]	<u>\$ 250,000.00 (M)</u>

SECTION 2

Total General Fund - Fund Balances at June 30, 2019 (Per CAFR Budgetary Comparison Schedule, Ex. C-1)	<u>\$ 261,174.25 (C)</u>
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 - Designated for Subsequent Year's Expenditures	_____ - (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 261,174.25 (U1)</u>

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-	<u>\$ 11,174.25 (E)</u>
-------------------------------------------------------------------------------	-------------------------

Recapitulation of Excess Surplus as of June 30, 2019

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ - (C3)
Restricted - Excess Surplus *** [(E)]	<u>11,174.25 (E)</u>
Total Excess Surplus [(C3)+(E)]	<u>\$ 11,174.25 (D)</u>

EXCESS SURPLUS CALCULATION (CONT'D)

REGULAR DISTRICT / CHARTER SCHOOL / RENAISSANCE SCHOOL PROJECT

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, 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.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Federal 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, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2019-2020 general fund budget.

*** Amounts must agree to the June 30, 2019 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.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ -
Sale/lease-back reserve	-
Capital reserve	-
Maintenance reserve	-
Emergency reserve	-
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 reserves	-
[Other Restricted Fund Balance not noted above]****	-

Total Other Restricted Fund Balance \$ - (C4)

MILLVILLE PUBLIC CHARTER SCHOOL
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2019

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
None
7. Charter School Enrollment System (CHE)
None
8. Pupil Transportation
None
9. Facilities and Capital Assets
None
10. Miscellaneous
None
11. Status of Prior Year Audit Findings/Recommendations
Corrective Action has been taken on all prior year findings.

