

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2019**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

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June 30, 2019

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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, 2019, and have issued our report thereon dated November 18, 2019.

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, Acosta, Pinning & Co., P.C.

Westborough, Massachusetts
November 18, 2019

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.

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.

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.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (Continued)

Reserve for Encumbrances and Accounts Payable

A review of outstanding payables was made as of June 30, 2019, for proper classification of orders for accounts payable. No discrepancies were noted.

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.

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.

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.

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

SCHOOL PURCHASING PROGRAMS (Continued)

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 \$19,000 for 2018-19.

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

Our audit procedures included test of information reported on the October 15, 2018, and the last day of school for on-roll, special education, English Language Learners (ELL) and low income. We also performed a review of the Charter School procedures related to its completion. The Charter School maintained adequate written procedures for the recording of student enrollment data.

Finding 2018-01

During our testing of limited English proficiency (LEP) students, we noted that the number of students classified as LEP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree. Though these discrepancies do not affect the billing for these students, there is a misclassification of students between the reports. No other exceptions noted.

Recommendation:

Management should ensure all LEP students are correctly entered in the CHE.

SCHEDULE OF AUDITED ENROLLMENTS (Continued)

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.

School Food Service

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) has any 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 the allowable direct and indirect costs. No exceptions were noted.

Non-program foods were not purchased, prepared, sold, or offered for sale, comment in kind. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. Reimbursement claims were submitted/certified in a timely manner. Applications for free and reduced priced meals were reviewed 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 reviewed for uniform administration.

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.

Student Body Activities

During our review of the student activity funds, there were no items 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.

MISCELLANEOUS

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School adhered to all the requirements of N.J.A.C. 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 FINDINGS

In accordance with government auditing standards, our procedures included a review of the prior year findings.

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.

During our testing of limited English proficiency (LEP) students, we noted that the number of students classified as LEP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree. Though these discrepancies do not affect the billing for these students, there is a misclassification of students between the reports.

This finding is still in process during the fiscal year 2019 audit.

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, 2019**

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	57,625	57,625	57,625	0	0.36	0.00
National School Lunch (Regular Rate)	Reduced	64,885	64,885	64,885	0	2.965	0.00 *
National School Lunch (Regular Rate)	Free	466,799	466,799	466,799	0	3.365	0.00 *
	TOTAL	<u>589,309</u>	<u>589,309</u>	<u>589,309</u>			<u>0.00</u>
School Breakfast (Regular Rate)	Paid	24,820	24,820	24,820	0	0.31	0.00
	Reduced	28,812	28,812	28,812	0	1.49	0.00 *
	Free	218,824	218,824	218,824	0	1.79	0.00 *
	TOTAL	<u>272,456</u>	<u>272,456</u>	<u>272,456</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, 2019**

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	550	275	275	0	275	0	10	10	0	10	0	483	483	0
One	548	274	274	0	274	0	29	29	0	29	0	477	477	0
Two	556	278	278	0	278	0	40	40	0	40	0	492	492	0
Three	469	235	235	0	235	0	33	33	0	33	0	420	420	0
Four	454	227	227	0	227	0	29	29	0	29	0	387	387	0
Five	473	237	237	0	237	0	25	25	0	25	0	426	426	0
Six	463	232	232	0	232	0	43	43	0	43	0	409	409	0
Seven	453	227	227	0	227	0	48	48	0	48	0	387	387	0
Eight	464	232	232	0	232	0	71	71	0	71	0	406	406	0
Nine	347	174	174	0	174	0	35	35	0	35	0	304	304	0
Ten	300	150	150	0	150	0	32	32	0	32	0	245	245	0
Eleven	251	126	126	0	126	0	26	26	0	26	0	194	194	0
Twelve	152	76	76	0	76	0	27	27	0	27	0	119	119	0
Total	5480	2743	2743	0	2743	0	448	448	0	448	0	4749	4749	0
Percentage				0%		0%			0%		0%			0%

**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	544	272	272	0	272	0	10	10	0	10	0	471	471	0
One	535	268	268	0	268	0	27	27	0	27	0	465	465	0
Two	535	268	268	0	268	0	38	38	0	38	0	468	468	0
Three	457	229	229	0	229	0	30	30	0	30	0	402	402	0
Four	450	225	225	0	225	0	28	28	0	28	0	378	378	0
Five	454	227	227	0	227	0	24	24	0	24	0	408	408	0
Six	453	227	227	0	227	0	40	40	0	40	0	394	394	0
Seven	444	222	222	0	222	0	44	44	0	44	0	374	374	0
Eight	456	228	228	0	228	0	70	70	0	70	0	393	393	0
Nine	335	168	168	0	168	0	34	34	0	34	0	287	287	0
Ten	308	154	154	0	154	0	32	32	0	32	0	236	236	0
Eleven	247	124	124	0	124	0	25	25	0	25	0	185	185	0
Twelve	150	75	75	0	75	0	25	25	0	25	0	116	116	0
Total	5368	2687	2687	0	2687	0	427	427	0	427	0	4577	4577	0
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
Fiscal Year Ended June 30, 2019**

<u>Net Cash Resources:</u>		<u>Food Service B - 4/5</u>	
CAFR	*	Current Assets	
B-4		Accounts Receivable	\$ 122,346
CAFR		Current Liabilities	
B-4		Less - Accounts Payable	<u>(34,065)</u>
		Net Cash Resources	<u>\$ 88,281</u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	<u>\$ 2,347,662</u>	
	Adj. Tot. Oper. Exp.	<u>\$ 2,347,662</u>	(B)

Average Monthly Operating Expense:

B / 10	<u>\$ 234,766</u>	(C)
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Three times monthly Average:

3 X C	<u>\$ 704,299</u>	(D)
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TOTAL IN BOX A	\$ 88,281.00
LESS TOTAL IN BOX D	\$ (704,298.60)
NET	\$ (616,017.60)

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 Summary Recommendations
June 30, 2019

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Recommendation:

Management should ensure all LEP students are correctly entered in the CHE.

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

Not applicable

10. Status of Prior Year's Findings and Recommendations

Not applicable

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Excess Surplus Calculation
June 30, 2019

EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 89,834,367</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ 8,998,789</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>\$ 7,162,063</u>	(B2a)
Assets Acquired Under Capital Leases	<u>\$ -</u>	(B2b)

Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-(B2s)] \$ 91,671,083 (B3)

2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	<u>\$ 1,833,422</u>	(B4)
Enter Greater of (B4) or \$250,000	<u>\$ 1,833,422</u>	(B4)
Increased by: Allowable Adjustment	<u>\$ -</u>	(K)

Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)] \$ 1,833,422 (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 16,636,928</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>\$ 15,000</u>	(C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year’s Expenditures	<u>\$ 871,431</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ 15,750,497</u>	(U1)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Excess Surplus Calculation
June 30, 2019

EXCESS SURPLUS CALCULATION (Continued)

SECTION 2

Restricted Fund Balance – Excess Surplus [(U1)-(M)] \$ 13,917,075 (E)

Recapitulation of Excess Surplus as of June 30, 2019

Reserved Excess Surplus – Designated for Subsequent Year’s Expenditures	\$ _____ - (C3)
Reserved Excess Surplus [(E)]	<u>\$ 13,917,075</u> (E)
Total Excess Surplus [(C3) + (E)]	<u>\$ 13,917,075</u>