

**INDEPENDENT AUDITOR'S MANAGEMENT
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX**

JUNE 30, 2020

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditors' Report	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges.....	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	3
Reserve for Encumbrances and Accounts Payable.....	3
Travel Policy.....	3
Classification of Expenditures	3
▪ General Classification	
▪ Administrative Classification	
Board Secretary's Records.....	4
Treasurer's Records	4
Elementary and Secondary Education Act as amended by the Every Student Succeeds Act (ESSA).....	4
Other Special Federal and/or State Projects.....	4
T.P.A.F. Reimbursement	4
T.P.A.F. Reimbursements to the State for Federal Salary Expenditures	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5
School Food Service	6
Charter School Enrollment System/Charter School Aid	6
Facilities and Capital Assets	6
Miscellaneous	7
Testing for Lead of All Drinking Water in Educational Facilities	7
Follow-up on Prior Year Findings	7
Acknowledgment	8
Schedule of Meal Count Activity	N/A
Net Cash Resource Schedule	N/A
Schedule of Audited Enrollments	9-10
Excess Surplus Calculation	11
Audit Recommendations Summary	12-13



INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of Board of Trustees
Link Community Charter School
County of Essex, New Jersey

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 Link Community Charter School (the "Charter School"), in the County of Essex, State of New Jersey for the year ended June 30, 2020, and have issued our report thereon dated January 11, 2021.

As part of our audit, we performed procedures required by the State of 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 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.

A handwritten signature in black ink that reads "Leonora Galleros".

Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400

A handwritten signature in black ink that reads "Galleros Robinson CPAs, LLP".

GALLEROS ROBINSON CPAs, LLP
Certified Public Accountants

January 11, 2021
Cream Ridge, New Jersey

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**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 of Link Community Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

Administrative Practices and Procedures

Insurance

Required insurance coverages are 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)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Bima Baje	School Business Administrator	\$250,000

Adequate insurance is in effect with a duly licensed and authorized insurance company for all employees for the faithful performance of their duties.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the Charter School.

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.

Finding 2020-001

In our review of claims, we noted that there were two (2) purchase orders that PO dates are after the invoice dates.

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Examination of Claims - continued

Recommendation

We recommend that procurement of goods and services follow the Charter School's purchasing policy in terms of obtaining an approved PO to ensure availability of funds, and to allow the review process to occur prior to procurement.

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 designee of 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 premium amounts withheld due to the general fund.

Payrolls were delivered to the secretary of the board who then deposits with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2020, for proper classification of purchase orders as Reserved for Encumbrances or Accounts Payable. No exception was noted in this area.

Travel Policy

A travel policy was adopted by the Board as required by N.J.A.C. 6A:23A A-6.13 and N.J.S.A. 18A:11-12.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(g) and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items.

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

Classification of Expenditures - continued

We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23-8.2. No exceptions noted.

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval.

Treasurer's Records

Monthly reports and reconciliation of accounts were prepared and were presented to the Board.

Elementary and Secondary Education Act (ESEA) as amended by the Every Student Succeeds Act (ESSA)

The ESEA 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 IV of the ESEA as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter School's special projects were approved as listed on Schedules A and B 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

Teachers' Pension Annuity Fund (T.P.A.F.) Reimbursement

Our audit procedures included a test of the bi-monthly reimbursements filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions noted.

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Financial Planning, Accounting, and Reporting - Continued

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) for all federal awards for 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 90 days required by the Office of Grants Management. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards. We noted no exceptions.

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 regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$19,000 for 2019-20.

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.

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 18:18A-5.

Finding 2020-002*

We noted various employee reimbursements for the purchase of school supplies such as books, notebooks, musical instruments and supplies. In addition, sales taxes were charged and paid for by the Charter School because it was purchased by an individual instead of the Charter School. Upon further inquiry and review of other purchases, it was noted that for some purchases, the tax-exempt certificates were provided and accepted by the vendor, and sales taxes were not charged. In cases where sales taxes were charged, management had indicated that the prices from these vendors provided savings for the Charter School, above the sales taxes. These price comparisons, however, were not indicated in the supporting documents.

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

School Purchasing Programs - Continued

Contracts and Agreements Requiring Advertisement for Bids - continued

Recommendation

We recommend review of the procedures in place for purchasing via employee reimbursements to minimize sales tax expenditures.

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) had 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 allowable direct and indirect costs. No exceptions were noted.

Non-program foods were not purchased, prepared, sold or offered for sale by the Charter School.

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

Charter School Enrollment System/Charter School Aid

Our audit procedures included tests of information reported on October 15th and the last day of the school year for enrolled, special education, bilingual and low-income students. We also performed a review of the Charter School's procedures related to its completion. There was no exception noted.

Facilities and Capital Assets

The Charter School has inventory records of assets. No exception was noted in this area.

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

Miscellaneous

Restricted Cash

The Charter School has to establish and fund an Escrow Account for a minimum of \$75,000 pursuant to an agreement signed with the New Jersey Department of Education. As of June 30, 2020, the Charter School's escrow account amounted to \$75,000.

Payroll Protection Program (PPP)

Observation:

During 2020, the Charter School received a forgivable loan of \$777,846 under the Paycheck Protection Program ("PPP"), which the Charter School recognized as a debt. The loan and accrued interest are forgivable for as long as the loan proceeds are used for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. As of June 30, 2020, the PPP loans payable balance is \$777,846. Because the PPP loan payable is a long-term debt, unless forgiven, the Charter School may have violated Charter School Law, which prohibits Charter Schools from obtaining unsecured long-term debts. The Charter School management, however, believes that its use of the proceeds will meet the conditions for forgiveness of the loan.

Testing for Lead of All Drinking Water in Educational Facilities

The school district 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 all prior year recommendations. Corrective actions had been completed and implemented on prior year findings with the exception of those that are identified as repeat (*) or partially similar to findings in this year's recommendation.

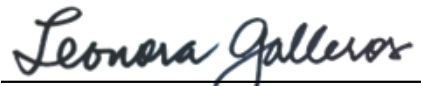
**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

**ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE - CONTINUED**

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 our audit team.

Respectfully submitted,



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS ROBINSON CPAs, LLP
Certified Public Accountants

January 11, 2021
Cream Ridge, New Jersey

**LINK COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2019**

Grades	Submission to DOE reported		50% Verification required 10/15/19						Submission to DOE Reported Special Ed/ Bilingual						Low Income		
	On Roll	Errors	Reported on workpapers	Errors	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Special Ed/ Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Income	Verified documentation	Errors	
Five	80		80	0	40		40	0	4		4	0	4	0	31	31	0
Six	82		82	0	41		41	0	6		6	0	6	0	30	30	0
Seven	73		73	0	36		36	0	4		4	0	4	0	31	31	0
Eight	69		69	0	35		35	0	4		3	1	3	1	27	27	0
Total	304		304	0	152		152	0	18		17	1	17	1	119	119	0
Percentage				0.0%				0%				6%		6%			0%

**LINK COMMUNITY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF THE LAST DAY - JUNE 16, 2020**

Grades	Submission to DOE reported On Roll	Reported on workpapers		50% Verification required 6/30/20		Verified signed registration forms		Verified # days enrollee		Submission to DOE Reported Special Ed/ Bilingual		Verified documentation		Verified # days Service Provided		Low Income		Verified documentation		Errors
		Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors		
Five	80	80	0	40	40	0	40	0	40	0	4	4	0	4	0	30	30	0	0	0
Six	81	81	0	41	41	0	41	0	41	0	6	6	0	6	0	29	29	0	0	0
Seven	73	73	0	37	37	0	37	0	37	0	4	4	0	4	0	29	29	0	0	0
Eight	70	70	0	34	34	0	34	0	34	0	3	3	0	3	0	28	28	0	0	0
Total	304	304	0	152	152	0	152	0	152	0	17	17	0	17	0	116	116	0	0	0
Percentage			0.0%			0%		0%		0%			0%		0%					0%

**LINK COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2020

SECTION 1

A. 2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR, Ex. C-1		\$ 5,569,022 (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	\$ 697,249	(B2a)
Assets Acquired Under Capital Leases	\$ _____	- (B2b)
Adjusted 2019-20 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 4,871,773	(B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	\$ 97,435	(B4)
Enter Greater of (B4) or \$250,000	\$ 250,000	(B5)
Increased by: Allowable Adjustment *	\$ _____	- (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]		\$ 250,000 (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2019 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,108,944	(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)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 1,108,944	(U1)
Excess Surplus at June 30, 2020	\$ 858,944	

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ _____	- (E)
---	----------	-------

Recapitulation of Excess Surplus as of June 30, 2019

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 schools 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 schools spends "significantly less than budgeted and has accumulated a sizeable surplus."

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY

FOR THE YEAR ENDED JUNE 30, 2020

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

1. We recommend a review of vendor files to ensure that all supporting documents including approved purchase orders, vendor invoices and certifications are obtained and maintained. Further, expenses should always follow the Charter School's purchasing policy.

III. School Purchasing Programs

We recommend that purchasing policies and procedures are properly followed and that sales tax should not be paid for by the Charter School.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Application for State School Aid

N/A.

VII. Charter School Enrollment System (CHE)

There are none.

VIII. Pupil Transportation

N/A.

IX. Facilities and Capital Assets

There are none.

**LINK COMMUNITY CHARTER SCHOOL
COUNTY OF ESSEX, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY

FOR THE YEAR ENDED JUNE 30, 2020

X. Miscellaneous

The PPP Loan payable is a long-term debt that may violate the Charter School Law on obtaining unsecured long-term debt. The Charter School management plans to apply for a loan forgiveness as allowed under the PPP. Management believes that the Charter School meets the loan forgiveness criteria.

XI. Status of Prior Year Findings

Corrective actions had been completed or are still in process on prior year findings, with the exception of those that are identified as repeat (*) or partially similar to findings in this year's recommendation.