

TEAM ACADEMY CHARTER SCHOOL, INC.

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2020**

TEAM ACADEMY CHARTER SCHOOL, INC.

Table of Contents
June 30, 2020

	<u>Pages</u>
Independent Auditor's Report	1
Administrative Findings - Financial, Compliance and Performance	
Scope of Audit	2
Administrative Practices and Procedures	
Insurance.....	2
Official Bonds	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2
Reserve for Encumbrances and Accounts Payable	2
Classification of Expenditures	2
School Purchasing Programs	
School Food Service	3
Board and Board Secretary's Records	3
Student Body Activities	3
Contracts and Agreements Requiring Advertisements for Bids	3
Schedule of Audited Enrollments	
Enrollment Counts and Submissions to the Department	4
School Food Service	4 - 5
Teachers' Pension and Annuity Fund Reimbursement	5
Teachers' Pension and Annuity Fund Reimbursement to the State for Federal Salary Expenditures	5
Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001	5
Other Special Federal and/or State Projects	5
Miscellaneous	
Testing for Lead of All Drinking Water in Educational Facilities	5
Follow-Up on Prior Year Findings	6
Acknowledgement	6
Audit Synopsis Recommendations	7
Schedules of Enrollment Count	8 - 9
Schedules of Meal Count Activity	10 - 11
Excess Surplus Calculation	12 - 13
Net Cash Resource Schedule	14



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Independent Auditor's Report

To the Board of Trustees of
TEAM Academy Charter School, Inc.:

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 TEAM Academy Charter School, Inc., in the County of Essex, State of New Jersey, as of and for the year ended June 30, 2020, and have issued our report thereon dated December 15, 2020.

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 TEAM Academy Charter School, Inc.'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.

AAFCPAs, Inc.

Boston, Massachusetts
December 15, 2020

Matthew T. McGinnis, C.P.A.
Public School Accountant
PSA #20CC04260100

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>
Steve Small	Treasurer
Terry Brown	Assistant Business Administrator

There is a Public Employee's Faithful Performance Blanket Position Bond Policy covering all other employees with multiple coverage of \$25,000.

School Leaders Errors and Omissions Liability insurance was carried for all members of the Board of Trustees with coverage for each wrongful act of \$3,000,000.

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.

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 in the Charter School and were certified by the President of the Board of Trustees, and the School Business 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 deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding payables was made as of June 30, 2020, 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, no transaction error was 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 14).

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.

Our review of the records of the Treasurer did not disclose any new exceptions during the year.

Student Body Activities

Our review of the student activities funds 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 \$19,000 for 2019-20.

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, 2019, 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. The results of our procedures are presented in the Schedule of Audit Enrollments. No exceptions noted.

School Food Service

COVID-19 Emergency

Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020, for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A.18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Price meal eligible students. No exception noted.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all Free and Reduced Price meal eligible students during the emergency.

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. No exception noted.

The charter school project 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 Cost Reimbursable or Fixed Price contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit as projected in the initial budget. The operating results provision has not been met; however, the FSMC was not required to pay the guaranteed profit in fiscal year 2020, because the guaranteed profit is contingent upon serving a certain number of meals and this has not been achieved due to the impact of COVID-19. 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. No exception noted.

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. No exception noted.

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. No exception noted.

Net cash resources did not exceed three months average expenditures. No exception noted.

Time sheets were reviewed, and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Trustees. No exceptions were noted.

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. No exception noted.

SCHEDULE OF AUDITED ENROLLMENTS (Continued)

School Food Service (Continued)

Applications for free and reduced price 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 /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 throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review. No exception noted.

There was not a USDA Food Distribution Program.

There were no non-program food purchased, prepared, sold, or offered for sale.

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

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.

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. 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.

A handwritten signature in cursive script, reading "Matthew T. McGinnis".

Matthew T. McGinnis, C.P.A.

TEAM Academy Charter School, Inc.

Audit Synopsis Recommendations
June 30, 2020

It is recommended that:

1. Administrative Practices and Procedures
None
2. Financial Planning, Accounting and Reporting
Not applicable
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

TEAM ACADEMY CHARTER SCHOOLS, INC.
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	566	283	283	0	283	0	57	57	0	57	0	441	441	0
One	458	229	229	0	229	0	43	43	0	43	0	379	379	0
Two	453	227	227	0	227	0	59	59	0	59	0	373	373	0
Three	457	229	229	0	229	0	55	55	0	55	0	375	375	0
Four	458	229	229	0	229	0	56	56	0	56	0	370	370	0
Five	448	224	224	0	224	0	73	73	0	73	0	359	359	0
Six	349	175	175	0	175	0	55	55	0	55	0	261	261	0
Seven	340	170	170	0	170	0	48	48	0	48	0	242	242	0
Eight	347	174	174	0	174	0	68	68	0	68	0	256	256	0
Nine	348	174	174	0	174	0	70	70	0	70	0	249	249	0
Ten	219	110	110	0	110	0	40	40	0	40	0	151	151	0
Eleven	208	104	104	0	104	0	31	31	0	31	0	122	122	0
Twelve	162	81	81	0	81	0	35	35	0	35	0	96	96	0
Total	4813	2409	2409	0	2409	0	690	690	0	690	0	3674	3674	0
Percentage				0%		0%			0%		0%			0%

TEAM ACADEMY CHARTER SCHOOLS, INC.
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	567	284	284	0	284	0	39	39	0	39	0	441	441	0	
One	461	231	231	0	231	0	35	35	0	35	0	379	379	0	
Two	454	227	227	0	227	0	51	51	0	51	0	373	373	0	
Three	465	233	233	0	233	0	50	50	0	50	0	375	375	0	
Four	468	234	234	0	234	0	54	54	0	54	0	370	370	0	
Five	455	228	228	0	228	0	68	68	0	68	0	359	359	0	
Six	353	177	177	0	177	0	50	50	0	50	0	261	261	0	
Seven	345	173	173	0	173	0	46	46	0	46	0	242	242	0	
Eight	348	174	174	0	174	0	66	66	0	66	0	256	256	0	
Nine	351	176	176	0	176	0	67	67	0	67	0	249	249	0	
Ten	222	111	111	0	111	0	39	39	0	39	0	151	151	0	
Eleven	212	106	106	0	106	0	31	31	0	31	0	122	122	0	
Twelve	164	82	82	0	82	0	35	35	0	35	0	96	96	0	
Total	4865	2436	2436	0	2436	0	631	631	0	631	0	3674	3674	0	
Percentage				0%		0%			0%		0%			0%	

TEAM ACADEMY CHARTER SCHOOL, INC
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	42,349	42,349	42,349	-	0.34	-
National School Lunch (Regular Rate)	Reduced	43,657	43,657	43,657	-	3.03	-
National School Lunch (Regular Rate)	Free	380,627	380,627	380,627	-	3.43	-
	TOTAL	<u>466,633</u>	<u>466,633</u>	<u>466,633</u>			<u>-</u>
National School Lunch	HHFKA - PB Lunch Only	<u>466,633</u>	<u>466,633</u>	<u>466,633</u>	-	0.07	<u>-</u>
School Breakfast (Regular Rate)	Paid	29,328	29,328	29,328	-	0.31	-
	Reduced	31,142	31,142	31,142	-	1.90	-
	Free	291,234	291,234	291,234	-	2.20	-
	TOTAL	<u>351,704</u>	<u>351,704</u>	<u>351,704</u>			<u>-</u>
After School Snacks	Paid	-	-	-	-	0.08	-
	Reduced	-	-	-	-	0.47	-
	Free (Area Eligible)	367,138	367,138	367,138	-	0.94	-
	TOTAL	<u>367,138</u>	<u>367,138</u>	<u>367,138</u>			<u>-</u>
Total Net Overclaim							<u><u>-</u></u>

TEAM ACADEMY CHARTER SCHOOL, INC
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - STATE
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2020

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
State Reimbursement - National School Lunch (Regular Rate)	Paid	42,349	42,349	42,349	-	0.05	-
State Reimbursement - National School Lunch (Regular Rate)	Reduced	43,657	43,657	43,657	-	0.055	-
State Reimbursement - National School Lunch (Regular Rate)	Free	380,627	380,627	380,627	-	0.055	-
	TOTAL	<u>466,633</u>	<u>466,633</u>	<u>466,633</u>			<u>-</u>
	Total Net Overclaim						<u><u>-</u></u>

TEAM ACADEMY CHARTER SCHOOL, INC.

Excess Surplus Calculation
June 30, 2020

EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR, Ex. C-1		<u>\$ 88,453,779</u> (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	\$ <u>6,927,918</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	- (B2b)
Adjusted 2019-20 General Fund Expenditures [(B)+(B1a)-(B2a)]		<u>\$ 81,525,861</u> (B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]		<u>\$ 1,630,517</u> (B4)
Enter Greater of (B4) or \$250,000		<u>\$ 1,630,517</u> (B5)
Increased by: Allowable Adjustment		<u>\$ 200,000</u> (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]		<u>\$ 1,830,517</u> (M)
<u>Detail of Allowable Adjustments</u>		
Impact Aid	\$ _____	- (H)
Sale & Lease-back	\$ _____	- (I)
Extraordinary Aid	\$ <u>200,000</u>	(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)]		<u>\$ 200,000</u> (K)

TEAM ACADEMY CHARTER SCHOOL, INC.

Excess Surplus Calculation
June 30, 2020

EXCESS SURPLUS CALCULATION (Continued)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2020
(Per CAFR Budgetary Comparison Schedule C-1)

\$ 11,875,075 (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)] \$ 11,875,075(U1)

Restricted Fund Balance – Excess Surplus [(U1)-(M)] \$ 10,044,558 (E)

Recapitulation of Excess Surplus as of June 30, 2020

Reserved Excess Surplus – Designated for Subsequent Year’s
Expenditures

\$ _____ - (C3)

Reserved Excess Surplus [(E)]

\$ 10,044,558 (E)

Total Excess Surplus [(C3) + (E)]

\$ 10,044,558

NET CASH RESOURCE SCHEDULE

**Net Cash Resources did/did not exceed Three Months of Expenditures
Proprietary Funds - Food Service
Fiscal Year Ended June 30, 2020**

<u>Net Cash Resources:</u>		<u>Food Service B - 4/5</u>	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 95,959
B-4		Accounts Receivable	113,427
CAFR		Current Liabilities	
B-4		Less Accounts Payable	<u>(209,386)</u>
		Net Cash Resources	<u><u>\$ -</u></u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	<u>\$ 3,164,790</u>	
	Adj. Tot. Oper. Exp.	<u><u>\$ 3,164,790</u></u>	(B)

Average Monthly Operating Expense:

B / 10	<u><u>\$ 316,479</u></u>	(C)
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Three Times Monthly Average:

3 X C	<u><u>\$ 949,437</u></u>	(D)
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TOTAL IN BOX A	-
LESS TOTAL IN BOX D	(949,437)
NET	(949,437)

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