

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

**FINANCIAL, COMPLIANCE AND
PERFORMANCE**

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

JUNE 30, 2021

**GALLEROS ROBINSON
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, NEW JERSEY**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Independent Auditor’s 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	2
Reserve for Encumbrances and Accounts Payable.....	3
Travel Policy.....	3
Classification of Expenditures	3
▪ General Classification	
▪ Administrative Classification	
Board Secretary’s Records	3
Treasurer’s Records.....	3
Elementary and Secondary Education Act (ESEA) as Amended by Every Student Succeeds Act (ESSA).....	4
Other Special Federal and/or State Projects.....	4
Teacher’s Pension Annuity Fund (TPAF) Reimbursement	4
TPAF Reimbursement to the State for Federal Salary Expenditures.....	4
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5
School Food Service	5
Charter School Enrollment System/Charter School Aid	6
Facilities and Capital Assets	6
Miscellaneous	6
Follow-up on Prior Year Findings	6
Acknowledgment	7
Schedule of Meal Count Activity	N/A
Schedule of Audited Enrollments	8
Excess Surplus Calculation	10
Audit Recommendations Summary	11



INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of Board of Trustees
Principle Academy Charter School
County of Atlantic, 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 Principle Academy Charter School (the "Charter School") in the County of Atlantic, State of New Jersey for the year ended June 30, 2021, and have issued our report thereon dated March 7, 2022.

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

March 7, 2022
Cream Ridge, New Jersey

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, 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 Principle Academy 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, including fire insurance coverage, 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>
Dr. Michael Falkowski	School Business Administrator	\$180,000

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 we noted that claims were approved by designated individuals, certified and supporting documents were maintained. No exception noted.

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.

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

Payroll Account - continued

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund. Activities of the payroll agency accounts are accounted for via spreadsheets, and not in the general ledger system.

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 purchase orders was made as of June 30, 2021, 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.

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*. As a result of the procedures performed, we noted no deviations in expenditure or administrative coding classifications.

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 by the School Business Administrator/Board Secretary.

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, NEW JERSEY**

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

Financial Planning, Accounting, and Reporting - Continued

Elementary and Secondary Education Act (ESEA) as amended 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 Elementary and Secondary Education Act 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 (TPAF) Reimbursement

Our audit procedures included a test of the electronic reimbursements filed with the Department of Education for Charter School employees who are members of the Teacher's Pension Annuity Fund. We noted no exceptions.

TPAF 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 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 \$44,000 (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 \$19,600 for 2020-21.

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, NEW JERSEY**

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

School Purchasing Programs - Continued

Contracts and Agreements Requiring Advertisement for Bids - continued

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 18A:18A-5.

School Food Service

In accordance with the 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.

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 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 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.

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, NEW JERSEY**

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

School Food Service - Continued

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

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

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 and noted no exceptions.

Facilities and Capital Assets

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

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 all prior year recommendations. 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 (with asterisk *).

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, 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
Galleros Robinson CPAs, LLP
Certified Public Accountants

March 7, 2022
Cream Ridge, New Jersey

**PRINCIPLE ACADEMY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2020**

Grades	Submission to DOE reported On			50% Verification required 6/30/21					Submission to DOE Reported Special Ed/Bilingual					Low Income		
	Roll	Reported on workpapers	Errors	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Ed/Bilingual	Verified documentation	Errors	Verified # days Service Provided	Errors	Income	Verified documentation	Errors	
Kindergarten	59	59	-	30	30	-	30	-	-	-	-	-	48	48	-	
First	90	90	-	45	45	-	45	-	3	3	-	3	77	77	-	
Second	81	81	-	41	41	-	41	-	5	5	-	5	73	73	-	
Third	81	81	-	41	41	-	41	-	12	12	-	12	69	69	-	
Fourth	86	86	-	43	43	-	43	-	20	20	-	20	72	72	-	
Fifth	79	79	-	40	40	-	40	-	14	14	-	14	67	67	-	
Sixth	53	53	-	27	27	-	27	-	8	8	-	8	44	44	-	
Total	529	529	-	267	267	-	267	-	62	62	-	62	450	450	-	
Percentage			0%			0%		0%			0%				0%	

**PRINCIPLE ACADEMY CHARTER SCHOOL
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF JUNE 30, 2021**

Grades	Submission to DOE reported On Roll		50% Verification required 6/30/21					Submission to DOE Reported Special Ed/Bilingual					Low Income		
	Reported on workpapers	Errors	Verified signed registration forms	Errors	Verified # days enrolled	Errors	Verified documentation	Errors	Verified # days Service Provided	Errors	Income	Verified documentation	Errors		
Kindergarten	63	-	32	-	32	-	-	-	-	-	48	48	-		
First	88	-	44	-	44	-	3	-	3	-	77	77	-		
Second	81	-	41	-	41	-	5	-	5	-	73	73	-		
Third	79	-	40	-	40	-	12	-	12	-	69	69	-		
Fourth	84	-	42	-	42	-	20	-	20	-	72	72	-		
Fifth	78	-	39	-	39	-	14	-	14	-	67	67	-		
Sixth	54	-	26	-	26	-	8	-	8	-	44	44	-		
Total	527	-	264	-	264	-	62	-	62	-	450	450	-		
Percentage		0.0%		0%		0%		0%		0%			0%		

**PRINCIPLE ACADEMY CHARTER SCHOOL
(COUNTY OF ATLANTIC, NEW JERSEY)**

EXCESS SURPLUS CALCULATION

June 30, 2021

SECTION 1

A. 4% Calculation of Excess Surplus

2020-21 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 7,956,220 (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	\$ 686,463 (B2a)
Assets Acquired Under Capital Leases	\$ - (B2b)
Adjusted 2020-21 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 7,269,757 (B3)
4% of Adjusted 2020-21 General Fund Expenditures [(B3) times .04]	\$ 290,790 (B4)
Enter Greater of (B4) or \$250,000	\$ 290,790 (B5)
Increased by: Allowable Adjustment *	\$ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 290,790 (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2021 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,387,089 (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)]	\$ 1,387,089 (U1)
Excess Surplus at June 30, 2021	\$ 1,096,299

SECTION 3

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ - (E)
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Recapitulation of Excess Surplus as of June 30, 2021

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."

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY

FOR THE YEAR ENDED JUNE 30, 2021

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Programs

There are none.

IV. School Food Service

There are none.

V. Student Body Activities

There are none.

VI. Charter School Enrollment System/Charter School Aid

There are none.

VII. Pupil Transportation

Not Applicable.

VIII. Miscellaneous

There are none.

**PRINCIPLE ACADEMY CHARTER SCHOOL
COUNTY OF ATLANTIC, NEW JERSEY**

AUDIT RECOMMENDATIONS SUMMARY - CONTINUED

FOR THE YEAR ENDED JUNE 30, 2021

IX. Facilities and Capital Assets

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior year recommendations. Corrective actions had been completed or are still in process on prior findings, with the exception of those that are identified as repeat or partially similar to findings in this year's recommendation.