

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS, FINANCIAL COMPLIANCE AND PERFORMANCE
FOR THE YEAR ENDED JUNE 30, 2021**

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

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June 30, 2021

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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, State of New Jersey, as of and for the year ended June 30, 2021, and have issued our report thereon dated February 9, 2022.

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.

AAFCPAs, Inc.

Westborough, Massachusetts
February 9, 2022

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 ACFR.

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.

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 Superintendent 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.

Reserve for Encumbrances and Accounts Payable

A review of outstanding payables was made as of June 30, 2021, for proper classification of orders for accounts payable. No discrepancies were noted.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (Continued)

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.

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 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 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 noted.

The Statement of Revenues, Expenses and Changes in Fund Net Assets (ACFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

We inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all 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. We also inquired if the FSMC received a loan in accordance with the Payroll Protection Plan (the PPP loan) and whether the funds were used to pay for costs applicable to the Food Service Programs. The Charter School has not received the PPP loan.

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 are available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

SCHOOL PURCHASING PROGRAMS (Continued)

Contracts and Agreements Requiring Advertisements for Bids (Continued)

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 \$32,000 (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 2020-2021.

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, 2020, 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's procedures related to its completion. The Charter School maintained adequate written procedures for the recording of student enrollment data.

Finding 2021-01

During our testing of Limited English Proficiency (LEP), Special Education (SPED), Free or Reduced Plan (FRPL) enrollment, we noted that the number of students classified as LEP, SPED and FRLP per the Charter School Enrollment (CHE) report and the Charter School's internal tracking report did not agree.

Recommendation:

Management should keep supporting documentation to ensure all students are correctly entered in the CHE.

Management Response:

Efforts will be made to review and maintain the information to support numbers in the CHE reports.

SCHEDULE OF AUDITED ENROLLMENTS (Continued)

School Food Service

Public Health Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency, 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, the SFAs were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

During school year 2020-2021, the public health emergency was still applicable. As a result, SFAs were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.

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 (new) all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

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 students during the emergency.

The school food service program was not selected as a major Federal or State program. However, the program expenditures exceeded \$100,000 in Federal 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 noted.

We also inquired of school management as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions noted.

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

We inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all 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. We also inquired if the Food Service Management Company (FSMC) received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA. Schedule of Meal Count Activity is not a required presentation where the School Food Service Program has not been audited as a major program.

Net cash resources did exceed three months average expenditures.

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

SCHEDULE OF AUDITED ENROLLMENTS (Continued)

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

T.P.A.F. 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.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR 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.

Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Exhibit E-1 located in the ACFR.

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 ACFR. This section of the ACFR 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).

OTHER

During fiscal year 2020, the New Jersey Department of Education has conducted a review of funds received and disbursed from Federal programs by the Board of Education. During fiscal year 2021, the Charter School has addressed all the findings in the monitoring report.

FOLLOW-UP ON PRIOR YEAR FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of the prior year findings.

Finding 2020-01

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 2021 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.

**NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK
APPLICATION FOR CHARTER SCHOOL AID
ENROLLMENT COUNT AS OF OCTOBER 15, 2020**

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	545	273	273	0	273	0	20	20	0	20	0	477	477	0
One	567	284	284	0	284	0	30	30	0	30	0	511	511	0
Two	570	285	285	0	285	0	45	45	0	45	0	518	518	0
Three	569	285	285	0	285	0	69	69	0	69	0	500	500	0
Four	557	279	279	0	279	0	72	72	0	72	0	496	496	0
Five	558	279	279	0	279	0	58	58	0	58	0	497	497	0
Six	569	285	285	0	285	0	69	69	0	69	0	482	482	0
Seven	477	239	239	0	239	0	52	52	0	52	0	408	408	0
Eight	471	236	236	0	236	0	58	58	0	58	0	388	388	0
Nine	459	230	230	0	230	0	64	64	0	64	0	386	386	0
Ten	384	192	192	0	192	0	67	67	0	67	0	303	303	0
Eleven	291	146	146	0	146	0	41	41	0	41	0	230	230	0
Twelve	277	139	139	0	139	0	32	32	0	32	0	223	223	0
Total	6294	3152	3152	0	3152	0	677	677	0	677	0	5419	5419	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	556	278	278	0	278	0	20	20	0	20	0	478	478	0	
One	569	285	285	0	285	0	30	30	0	30	0	511	511	0	
Two	571	286	286	0	286	0	46	46	0	46	0	518	518	0	
Three	574	287	287	0	287	0	69	69	0	69	0	500	500	0	
Four	558	279	279	0	279	0	71	71	0	71	0	495	495	0	
Five	563	282	282	0	282	0	58	58	0	58	0	497	497	0	
Six	570	285	285	0	285	0	69	69	0	69	0	482	482	0	
Seven	480	240	240	0	240	0	52	52	0	52	0	408	408	0	
Eight	472	236	236	0	236	0	60	60	0	60	0	388	388	0	
Nine	467	234	234	0	234	0	62	62	0	62	0	386	386	0	
Ten	392	196	196	0	196	0	68	68	0	68	0	303	303	0	
Eleven	295	148	148	0	148	0	40	40	0	40	0	230	230	0	
Twelve	278	139	139	0	139	0	32	32	0	32	0	223	223	0	
Total	6345	3175	3175	0	3175	0	677	677	0	677	0	5419	5419	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, 2021**

<u>Net Cash Resources:</u>		<u>Food Service B - 4/5</u>	
ACFR	*	Current Assets	
B-4		Cash	\$ 131,119
B-4		Accounts Receivable	511,481
ACFR		Current Liabilities	
B-4		Less - Accounts Payable	-
		Net Cash Resources	<u>\$ 642,600</u> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	<u>\$ 736,915</u>	
	Adj. Tot. Oper. Exp.	<u>\$ 736,915</u>	(B)

Average Monthly Operating Expense:

B / 10	<u>\$ 73,692</u>	(C)
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Three Times Monthly Average:

3 X C	<u>\$ 221,075</u>	(D)
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TOTAL IN BOX A	642,600
LESS TOTAL IN BOX D	(221,075)
NET	421,526

From above:

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 Recommendations
June 30, 2021

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Recommendation:

Management should ensure all supporting documentation is kept on file.

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

Management should keep supporting documentation to ensure all students are correctly entered in the CHE.

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Excess Surplus Calculation
June 30, 2021

EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

2020-21 Total General Fund Expenditures per the ACFR, Ex. C-1	\$ <u>95,682,429</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>810,487</u>	(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>8,736,948</u>	(B2a)
Assets Acquired Under Capital Leases	\$ _____	(B2b)
Adjusted 2020-21 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>87,755,968</u>	(B3)
2% of Adjusted 2020-21 General Fund Expenditures [(B3) times .02]	\$ <u>1,755,119</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>1,755,119</u>	(B4)
Increased by: Allowable Adjustment	\$ _____	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>1,755,119</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2021 (Per ACFR Budgetary Comparison Schedule C-1)	\$ <u>39,078,689</u>	(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	\$ <u>241,112</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>14,393,250</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>24,444,327</u>	(U1)

NORTH STAR ACADEMY CHARTER SCHOOL OF NEWARK

Excess Surplus Calculation
June 30, 2021

EXCESS SURPLUS CALCULATION (Continued)

SECTION 2

Restricted Fund Balance - Excess Surplus [(U1)-(M)] \$ 22,689,208 (E)

Recapitulation of Excess Surplus as of June 30, 2021

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ _____ - (C3)
Reserved Excess Surplus [(E)]	\$ <u>22,689,208</u> (E)
Total Excess Surplus [(C3) + (E)]	\$ <u>22,689,208</u>