

PRINCETON CHARTER SCHOOL
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS – FINANCIAL,
COMPLIANCE AND PERFORMANCE
JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
Princeton Charter School:

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 financial statements of the Princeton Charter School for the year ended June 30, 2017, and have issued our report thereon dated December 1, 2017.

As part of our audit, we performed procedures required by the 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 letter does not affect our report dated December 1, 2017, on the financial statements of the School.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Princeton Charter School's Board of Trustees and management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

December 1, 2017
New Brunswick, NJ

WithumSmith+Brown, PC



James J. Decker
Licensed Public School Accountant #2502
Certified Public Accountant

**PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE, AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2017**

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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the School's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Michael Falkowski	Business Administrator	\$ 180,000

WSB determined that the surety bond coverage was continuous and adequate for fiscal year 2017.

Tuition Charges

A review of the financial statements indicated that the Charter school charged no tuition for any student attending the charter school and fees for a before and after school program were accounted for in an Enterprise Fund

Financial Planning, Accounting, and Reporting

Examination of Claims

An examination of claims paid on a test basis during the period under audit did not indicate any discrepancies with respect to signatures, certification, or supporting documentation.

Payroll Account

The net salaries of all employees of the School 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 and certified by the Board President, Board Secretary/Business Administrator, and Head of School.

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 issued purchase orders was made on a test basis as of June 30, 2017 for proper classification of orders as reserve for encumbrances and accounts payable.

**PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE, AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2017**

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(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 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 6A:23A-8.3. As a result of the

procedures performed, a transaction error rate of 0.00 percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary / Business Administrator Records

In planning and performing our audit of the financial statements, we considered the condition of the Business Administrator's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have the following comments:

Finding 2017-001

Condition:

The auditors noted that the School had an inconsistent treatment of their health benefits liability for 10-month employees.

Criteria:

The School changed the way they accounted for the health benefits liability for 10-month employees. When the School changed this treatment they did not adjust the number to reflect this change as of the beginning of the year.

Cause:

The School changed the way they recorded certain liabilities at year-end but not the beginning.

Effect:

This resulted in a material year-end journal entry in the amount of approximately \$57,000.

Recommendation:

The School should be consistent with the treatment of liabilities.

Response:

The School Business Administrator disagrees with this finding and believes it does not align with NJ Public Purchasing Law because services rendered and/or goods received after June 30th shall not be deemed as an accounts payable/accrual.

Treasurer's Records

In planning and performing our audit of the financial statements of the Charter School , we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedure we have no comments, except noted below herein.

Elementary and Secondary Education Act (E.S.E.A) / Improving America's Schools Act (I.A.S.A.) as reauthorized by the No Child Left Behind Act of 2001 (N.C.L.B.)

The E.S.E.A / N.C.L.B. financial exhibits are contained within the Special Revenue Section of the School's CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized. The study of compliance for E.S.E.A indicated no areas of non-compliance and/or questionable costs.

**PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE, AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2017**

T.P.A.F. Reimbursement

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

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 currently \$18,800.

The 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-4*, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*.

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.

Expenditures were separately recorded as food, labor, and other costs. Vendor invoices were reviewed and costs verified on a test basis.

Cash receipts and bank records were reviewed for timely deposit and no exceptions were 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 Fund.

Net cash resources did not exceed three months' average expenditures.

Labor costs were verified. Payroll records were maintained on all School Food Service 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.

**PRINCETON CHARTER SCHOOL
ADMINISTRATIVE FINDINGS – FINANCIAL, COMPLIANCE, AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2017**

Applications for free and reduced meals were reviewed for completeness and accuracy. The number of free and reduced meals claimed as served was compared to the number of valid applications on file, times the number of operating days. The required verification procedures for free and reduced applications were completed and available for review.

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

Enrollment Counts and Submission to the Department

Our audit procedures included a test of enrollment information reported on October 23, 2017 and the last day of school for on-roll, special education, bilingual and low-income students. The School maintained written procedures that appear to be adequate for the recording of student enrollment data. The information on the enrollment reports were compared to the School's workpapers and the results of our procedures are presented in the Schedule of Audited Enrollments.

Facilities and Capital Assets

Our procedures included a review of the capital assets of the Charter School. Based on these procedures, we have no comment except as noted herein

Miscellaneous

Travel:

Travel regulations require each Charter to adopt a formal policy and procedure pertaining to travel and expense reimbursement and board members. The regulations include requirements for the Charter to establish a maximum travel amount for the year and to ensure that the maximum amount is not exceeded. The regulations also require that all travel must be preapproved by the Board of Trustees and Director and that a brief report detailing the key issues addressed at the travel event must be submitted after the travel event has occurred.

Our review of the travel policies and records revealed that the Charter School is in general compliance with the travel regulations.

After School Activities:

Our audit procedures included a review of the financial transactions of the After School Activities. Based on these procedures, we have no comments except as noted herein.

Follow-Up on Prior Year Findings

Not applicable. There were no findings noted in the prior year.

Acknowledgement

We received the complete cooperation of all officials of the charter school and we greatly appreciate the courtesies extended to the members of the audit team.

**PRINCETON CHARTER SCHOOL
SCHEDULE OF AUDITED ENROLLMENTS
FISCAL YEAR ENDED JUNE 30, 2017**

	Submission to DOE reported on Roll	Sample Selected	Verified signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed and/or Bilingual	Verified Documentation	Errors	Verified # Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	19	9	9	--	9	--	--	--	--	--	--	--	--	--
One	21	9	9	--	9	--	--	--	--	--	--	--	--	--
Two	24	11	11	--	11	--	--	--	--	--	--	--	--	--
Three	46	22	22	--	22	--	2	2	--	2	--	2	2	--
Four	48	26	26	--	26	--	3	3	--	3	--	1	1	--
Five	46	24	24	--	24	--	--	--	--	--	--	1	1	--
Six	49	24	24	--	24	--	2	2	--	2	--	--	--	--
Seven	47	23	23	--	23	--	2	2	--	2	--	1	1	--
Eight	47	25	25	--	25	--	--	--	--	--	--	--	--	--
Tier II	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Tier III	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Totals	<u>347</u>	<u>173</u>	<u>173</u>	<u>--</u>	<u>173</u>	<u>--</u>	<u>9</u>	<u>9</u>	<u>--</u>	<u>9</u>	<u>--</u>	<u>5</u>	<u>5</u>	<u>--</u>
Percentage Error				<u>0.0%</u>		<u>0.0%</u>			<u>0.0%</u>		<u>0.0%</u>			<u>0.0%</u>
Enrollment as of June 2017														
	Submission to DOE reported on Roll	Sample Selected	Verified signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed and/or Bilingual	Verified Documentation	Errors	Verified # Days Service Provided	Errors	Low Income	Verified Documentation	Errors
Kindergarten	19	10	10	--	10	--	--	--	--	--	--	--	--	--
One	21	12	12	--	12	--	--	--	--	--	--	--	--	--
Two	24	13	13	--	13	--	--	--	--	--	--	--	--	--
Three	46	24	24	--	24	--	2	2	--	2	--	2	2	--
Four	48	22	22	--	22	--	3	3	--	3	--	1	1	--
Five	46	22	22	--	22	--	--	--	--	--	--	1	1	--
Six	49	25	25	--	25	--	2	2	--	2	--	--	--	--
Seven	47	24	24	--	24	--	2	2	--	2	--	1	1	--
Eight	47	22	22	--	22	--	--	--	--	--	--	--	--	--
Tier II	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Tier III	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Totals	<u>347</u>	<u>174</u>	<u>174</u>	<u>--</u>	<u>174</u>	<u>--</u>	<u>9</u>	<u>9</u>	<u>--</u>	<u>9</u>	<u>--</u>	<u>5</u>	<u>5</u>	<u>--</u>
Percentage Error				<u>0.0%</u>		<u>0.0%</u>			<u>0.0%</u>		<u>0.0%</u>			<u>0.0%</u>

**PRINCETON CHARTER SCHOOL
EXCESS SURPLUS CALCULATION
AS OF JUNE 30, 2017**

SECTION 1

A. 2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1		\$ 6,095,210 (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)
	<u>\$ -</u>	(B1s)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 710,942	(B2a)
Assets Acquired Under Capital Leases	\$ -	(B2b)
	<u>\$ 710,942</u>	(B2s)
Adjusted 2016-17 General Fund Expenditures [(B)+(B1s)-(B2s)]	<u>\$ 5,384,268</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ 107,685	(B4)
Enter Greater of (B4) or \$250,000	\$ 250,000	(B5)
Increased by: Allowable Adjustment *	\$ -	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	<u>\$ 250,000</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2017 (Per CAFR Budgetary Comparison Schedule C-1)		\$ 565,761 (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)]	<u>\$ 565,761</u>	(U1)

**PRINCETON CHARTER SCHOOL
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2017**

1. Status of Prior Year's Findings/Recommendations

Not applicable. There are no findings noted in the prior year.

2. Current Year's Findings/Recommendations

It is recommended that:

- a. The School should be consistent with the treatment of liabilities.