

**CLASSICAL ACADEMY CHARTER SCHOOL OF
CLIFTON**

AUDITOR'S MANAGEMENT REPORT

FISCAL YEAR ENDED JUNE 30, 2015

Barre & Company
Certified Public Accountants & Consultants

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Table of Contents

	<u>Page No.</u>
Report of Independent Auditors	1
Scope of Audit.....	2
Administrative Practices and Procedures.....	2
Insurance.....	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting.....	2
Examination of Claims.....	2
Payroll Account.....	3
Reserve for Encumbrances and Accounts Payable.....	3
Classification of Expenditures.....	3
▪ General Classifications	3
▪ Administrative Classifications.....	3
Board Secretary's Records.....	4
Treasurer's Records.....	N/A
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.....	4
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	4
School Purchasing Programs.....	5
Contracts and Agreements Requiring Advertisement for Bids.....	5
School Food Service	N/A
Student Body Activities.....	5
Enrollment Counts and Submissions to the Department.....	5
Pupil Transportation	N/A
Facilities and Capital Assets	N/A
Miscellaneous	N/A
Follow-up on Prior Year Findings	6
Acknowledgment.....	6
Schedule of Meal Count Activity.....	7
Schedule of Audited Enrollments	9
Excess Surplus Calculation.....	11

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Report of Independent Auditors

Honorable President and
Members of the Board of Trustees
Classical Academy Charter School of Clifton
Clifton, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Classical Academy Charter School of Clifton in the for the year ended June 30, 2015, and have issued our report thereon dated December 15, 2015.

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 report is intended for the information of the Classical Academy Charter School of Clifton 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.



Richard M. Barre
Licensed Public School Accountant
No. CS-O1181
Barre & Company, CPAs

December 15, 2015

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, 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 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, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Vincent DeRosa	Board Administrator	\$105,000
Magda DeRosa	Board Administrator	\$105,000
Richard Raschdorf	Board Secretary	\$105,000

Board Minutes

During our review of the board minutes, the following discrepancy was noted.

Finding #2015-01

Minutes should contain copies of the Bill List, Treasurer's Report and Approval of Payroll. They should also indicate that no line items were overspent.

Recommendation

Attach a copy of the Bill List, Treasurer's Report and Approval of Payroll to the minutes. Also state in the minutes "no line items were overspent".

Tuition Charges

A review of 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

There were no discrepancies noted during our examination of claims paid during the period under review.

Administrative Findings – Financial, Compliance and Performance

Financial Planning, Accounting and Reporting (Continued)

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, the Board Secretary/Business Administrator, and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding 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 issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. There were no exceptions noted during our review.

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 the 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 1.90% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

No exceptions or discrepancies were noted in the administrative classification of expenditures.

B. Administrative Classification Findings

No exceptions or discrepancies were noted in the administrative classification of expenditures.

Administrative Findings – Financial, Compliance and Performance

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records

There were no exceptions or discrepancies disclosed during our review of the financial and accounting records maintained by the business office.

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./NCLB 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 and reauthorized.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance and/or questionable cost.

Other Special Federal and/or State Projects

The Charter School's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated the 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.

The study of compliance for the special projects did not indicate any areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements (electronic, but Charter Schools can print out the DOENET screen for an auditor) filed with the Department of Education for Charter School employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Administrative Findings – Financial, Compliance and Performance

School Purchasing Programs

Contracts and Agreements Requiring Advertisement 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 (as of June 2007) is available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>.

Current statute is posted on the New Jersey Legislature website at:

http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing for highlights of *N.J.S.A.* 18A:18A-3 and 4.

The bid thresholds in accordance with *N.J.S.A.* 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 \$18,300 for 2014-2015.

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 of *N.J.S.A.* 18A:18A-4, amended.

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

Student Body Activities

During our review of the student activity funds, no discrepancies were noted.

Enrollment Counts and Submissions to the Department

Our audit procedures included a test of enrollment information reported on October 15, 2014 and the last day of school for on-roll, special education, bilingual and low-income

Administrative Findings – Financial, Compliance and Performance

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year findings. Corrective action had been taken on all prior year findings.

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 the audit team.

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY
CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
National School Lunch (Regular Rate)	Paid					0.28	
	Reduced			N/A		2.58	
	Free					2.98	
	TOTAL	-	-	-	-		-
National School Lunch (Regular Rate)	HHFKA						
	- PB Lunch Only			N/A		0.06	
	TOTAL	-	-	-	-		-
School Breakfast (Regular Rate)	Paid					0.28	
	Reduced			N/A		1.32	
	Free					1.62	
	TOTAL	-	-	-	-		-
TOTAL NET OVERCLAIM							\$ -

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY
CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM - STATE
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over) Under Claim</u>
State Reimbursement -	Paid					0.040	
National School Lunch	Reduced			N/A		0.055	
(Regular Rate)	Free					0.055	
	TOTAL	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
TOTAL NET OVERCLAIM							<u>-</u>

SCHEDULE OF AUDITED ENROLLMENTS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF OCTOBER 15, 2014

Grades	Submission to DOE Reported on Roll	Reported on Workpapers	Verified Signed Registration Forms		Verified #		Special Ed/ Bilingual		Verified Documentation		Verified # of Days Service Provided		Low Income	Verified Documentation	Errors
			Errors	Days Enrolled	Errors	Days Enrolled	Errors	Days Enrolled	Errors	Days Enrolled	Errors	Days Enrolled			
Six	39	39	39	39	-	-	-	-	-	-	-	-	13	13	
Seven	38	38	38	38	-	-	-	-	-	-	-	-	16	16	
Eight	38	38	38	38	-	-	-	-	-	-	-	-	7	7	
Totals	115	115	115	115	-	115	-	-	-	-	-	-	36	36	-
Percentage			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

SCHEDULE OF AUDITED ENROLLMENTS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 APPLICATION FOR CHARTER SCHOOL AID
 ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015

Grades	Submission to DOE Reported on Roll	Sample										Percentage			
		Reported on Workpapers	Verified Signed Registration Forms	Errors	Verified # Days Enrolled	Errors	Special Ed/ Bilingual	Verified Documentation	Errors	Verified # of Days Service Provided	Errors		Low Income	Verified Documentation	Errors
Six	38	38	38		38		-	-						13	13
Seven	39	39	39		39		-	-						15	15
Eight	39	39	39		39		-	-						8	8
Totals	116	116	116	-	116	-	-	-	-	-	-	-	-	36	-
				0.00%		0.00%			0.00%				0.00%		0.00%

EXCESS SURPLUS CALCULATION

N.J.S.A. 18A:7F-7 requires that excess surplus for regular school districts and charter schools is calculated using 2% for June 30, 2005 and thereafter. Pursuant to P.L. 2007, c.62, the minimum was raised from \$100,000 to \$250,000, effective beginning with the year ending June 30, 2007.

Charter schools are not subject to the excess surplus limitations. Charter school 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 school spends "significantly less than budgeted and has accumulated a sizable surplus."

CALCULATION:

Complete Sections 1 and 2. If the total of Section 2 is **greater** than the applicable portion of Section 1, enter the difference in Section 3. If the difference results in a negative, enter a zero in Section 3. The applicable sections are to be submitted as part of the Auditor's Management Report.

Note that beginning with the excess surplus calculation for the year ending June 30, 2012 the transfer to food services is no longer an adjustment (increase) to total general fund expenditures. This was first introduced in supporting documentation item 9 on page 123 of the 2011-12 Budget Guidelines and continues to apply to audited excess surplus at June 30, 2015.

EXCESS SURPLUS CALCULATION

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

SECTION 1

A. 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 1,131,705 (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	(1,596,578) (B2a)	
Assets Acquired Under Capital Leases	<u>- (B2b)</u>	
Adjusted 2014-15 General Fund Expenditures	<u>(464,873) (B3)</u>	
2% of Adjusted 2014-15 General Fund Expenditures	<u>(9,297) (B4)</u>	
Enter Greater of (B4) or \$250,000	250,000 (B5)	
Increased by: Allowable Adjustment *	<u>- (K)</u>	
Maximum Unassigned Fund Balance/Undesignated-Unreserved Fund Balance		<u>\$ 250,000 (M)</u>

SECTION 2

Total General Fund - Fund Balance @ 6/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 1,749,005 (C)	
Decrease 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	<u>- (C5)</u>	
Total Unassigned Fund Balance		<u>1,749,005 (U1)</u>

SECTION 3

Restricted Fund Balance - Excess Surplus ***	<u>\$ 1,499,005 (E)</u>
--	-------------------------

Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ - (C3)
Reserved Excess Surplus ***	<u>1,499,005 (E)</u>
Total Excess Surplus	<u>1,499,005 (D)</u>

EXCESS SURPLUS CALCULATION

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Footnotes:

* This adjustment line (as detailed below) is to be utilized when applicable for: Impact Aid; Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10); Extraordinary Aid; Additional and Nonpublic School Transportation Aid; and recognized current year School Bus Advertising Revenue. Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$	-	(H)
Sale & Lease-back		-	(I)
Extraordinary Aid		-	(J1)
Additional Nonpublic School Transportation Aid		-	(J2)
Current Year School Bus Advertising Revenue Recognized		-	(J3)
		<hr/>	
Total Adjustments	\$	-	(K)

** This amount represents the June 30, 2014 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2015 CAFR and must agree to Audit Summary Worksheet Line 90030.

**** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:			
Approved unspent separate proposal	\$	-	
Sale/lease-back reserve		-	
Capital reserve		-	
Maintenance reserve		-	
Emergency reserve		-	
Tuition reserve		-	
Other state/government mandated reserve		-	
[Other Restricted Fund Balance not noted above] ****		-	
		<hr/>	
Total Other Restricted Fund Balance	\$	-	(C4)