FREEDOM PREP CHARTER SCHOOL

AUDITOR'S MANAGEMENT REPORT

FISCAL YEAR ENDED JUNE 30, 2015

Barre & Company
Certified Public Accountants & Consultants

FREEDOM PREP CHARTER SCHOOL

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

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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
Freedom Prep Charter School
Camden, 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 Freedom Prep Charter School in the for the year ended June 30, 2015, and have issued our report thereon dated December 7, 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 Freedom Prep 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.

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

December 7, 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)

Name	Position	Amount
Christopher Lessard	Board Secretary	$160,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the NJSBA Insurance Group covering all other employees with multiple coverage of $500,000.

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

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, Employee's' payroll and employer's share of fringe benefits were deposited in the Payroll in the Payroll Agency Account.

Administrative Findings – Financial, Compliance and Performance

Financial Planning, Accounting and Reporting (Continued)

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 treasurer of school moneys with a warrant made to his order for the full amount of each payroll.

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. No exceptions were 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 general 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

Board Secretary's Records

Our review of the financial and accounting records maintained by the business office disclosed no exceptions or discrepancies.

Treasurer's Records

There were no items noted during our review of the records of the Treasurer.

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 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 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/cgibin/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.

Effective July 1, 2010 and thereafter, 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 $17,500. Effective July 1, 2013, the bidding threshold for public school student transportation was adjusted to $18,300.

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.

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.

School Food Service (Continued)

The Charter School 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 contract/addendum were reviewed and audited.

Expenditures are separately recorded as payroll and cost of sales. Vendor invoices were reviewed and costs verified.

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.

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 that Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

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 and/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 Exceptions Noted.

Administrative Findings – Financial, Compliance and Performance

Student Body Activities

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

Enrollment Counts and Submissions to the Department

Our audit procedures included a test of enrollment information reported on the last day of school for on-roll, special education, bilingual and low-income. The enrollment report for October 15, 2014 was not printed at the time of submission and was no longer available to the school. We relied on the report as of the last day of the school for testing.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreement for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year findings. The previous year findings have been corrected.

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.

SCHEDULE OF MEAL COUNT ACTIVITY

FREEDOM PREP CHARTER SCHOOL
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Program	Meal Category	Meals Claimed	Meals Tested	Meals Verified	Difference	Rate	(Over) Under Claim
National School Lunch (High Rate)	Paid	-	-	-	-	0.30	$ -
	Reduced	-	-	-	-	2.60	-
	Free	105,052	69,334	69,334	-	3.00	-
	TOTAL	105,052	69,334	69,334	-		-
School Breakfast (Severe Need Rate)	Paid	-	-	-	-	0.28	$ -
	Reduced	-	-	-	-	1.63	-
	Free	96,950	63,987	63,987	-	1.93	-
	TOTAL	96,950	63,987	63,987	-		$ -
After School Snacks	Paid	-	-	-	-	0.07	$ -
	Reduced	-	-	-	-	0.41	-
	Free (Area Eligible)	48,850	32,241	32,241	-	0.82	-
	TOTAL	48,850	32,241	32,241	-		$ -
TOTAL NET OVERCLAIM							$ -

SCHEDULE OF AUDITED ENROLLMENTS

FREEDOM PREP CHARTER SCHOOL

APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF OCTOBER 15, 2014

		Sample												
Grades	Submission to DOE Reported on Roll	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
Kindergarten														
One														
Two														
Three														
Four														
Five														
Six														
Seven														
Eight														
Totals	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Percentage				0.00%		0.00%			0.00%		0.00%			0.00%

Oct 15th was not available

SCHEDULE OF AUDITED ENROLLMENTS

FREEDOM PREP CHARTER SCHOOL

APPLICATION FOR CHARTER SCHOOL AID

ENROLLMENT COUNT AS OF LAST DAY OF SCHOOL YEAR 2015

		Sample												
Grades	Submission to DOE Reported on Roll	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
One	53	35	34	1	34	1	1	1		1		32	32	(0)
Two	48	32	31	1	31	1	1	1		1		32	32	(0)
Three	56	37	37	(0)	37	(0)	1	1		1		36	36	(0)
Four	50	33	32	1	32	1	2	1	1	1	1	33	33	
Five	50	33	33		33		3	3		3		31	29	2
Six	93	61	61	0	61	0	5	2	3	2	3	60	55	5
Seven	104	69	69	(0)	69	(0)	5	4	1	4	1	59	57	2
Eight	99	65	65	0	65	0	3	-	3	-	3	55	53	2
Nine	79	52	52	0	52	0	-	-		-		47	45	2
Totals	632	417	414	3	414	3	21	13	8	13	8	384	372	12
Percentage				0.75%		0.75%			38.10%		38.10%			3.16%

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, 2013.

EXCESS SURPLUS CALCULATION

FREEDOM PREP CHARTER SCHOOL

SECTION 1

A. 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	$ 9,413,462	(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:				
Oh-Behalf TPAF Pension & Social Security	(459,662)	(B2a)		
Assets Acquired Under Capital Leases	-	(B2b)		
Adjusted 2014-15 General Fund Expenditures	8,953,800	(B3)		
2% of Adjusted 2014-15 General Fund Expenditures	179,076	(B4)		
Enter Greater of (B4) or $250,000	250,000	(B5)		
Increased by: Allowable Adjustment *	-	(K)		
Maximum Unassigned Fund Balance/Undesignated-Unreserved Fund Balance			$ 250,000	(M)

SECTION 2

Total General Fund - Fund Balance @ 6/30/2015 (Per CAFR Budgetary Comparison Schedule C-1)	$ 1,009,379	(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	-	(C5)		
Total Unassigned Fund Balance			1,009,379	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus ***			$ 759,379	(E)

Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **			$ -	(C3)
Reserved Excess Surplus ***			759,379	(E)
Total Excess Surplus			759,379	(D)

EXCESS SURPLUS CALCULATION

FREEDOM PREP CHARTER SCHOOL

Footnotes:

* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
(H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2015 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparision Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
(J1) Extraordinary Aid;
(J2) Additional Nonpublic School Transportation Aid;
(J3) Recognized current year School Bus Advertising Revenue; and
(J4) Family Crisis Transporation Aid.
Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transporation 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)
Family Crisis Transportation Aid		-	(J4)
Total Adjustments	$	-	(K)

** This amount represents the June 30, 2015 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		-	
School Bus Advertising 50% Fuel Offset Reserve - current year		-	
School Bus Advertising 50% Fuel Offset Reserve - prior year		-	
Impact Aid General Fund Reserve (Sections 8002 and 8003)		-	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)		-	
Other state/government mandated reserve		-	
[Other Restricted Fund Balance not noted above] ****		-	
Total Other Restricted Fund Balance	$	-	(C4)