

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2013

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

***Thomas Edison EnergySmart Charter School
Board of Trustees
Franklin Township, New Jersey***

***Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Prepared by

***Thomas Edison EnergySmart Charter School
Finance Department***

And

Barre & Company, CPAs

STATE BOARD OF EDUCATION

ARCELIO APONTE Middlesex
President

ILAN PLAWKER..... Bergen
Vice President

MARK W. BIEDRON Hunterdon

RONALD K. BUTCHER..... Gloucester

CLAIRE CHAMBERLAIN Somerset

JOSEPH FISICARO Burlington

JACK FORNARON..... Warren

EDITHE FULTON..... Ocean

ROBERT P. HANEY..... Monmouth

ERNEST P. LEPORE Hudson

ANDREW J. MULVIHILL..... Sussex

J. PETER SIMON..... Morris

DOROTHY S. STRICKLAND Essex

**Christopher D. Cerf, Commissioner of Education
Secretary, State Board of Education**

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
INTRODUCTORY SECTION.....	1
Letter of Transmittal.....	2
Organizational Chart.....	7
Roster of Officials	8
Consultants and Advisors	9
FINANCIAL SECTION	10
Independent Auditor's Report	11
REQUIRED SUPPLEMENTARY INFORMATION – PART I.....	14
Management’s Discussion and Analysis.....	15
BASIC FINANCIAL STATEMENTS.....	22
SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS	23
A-1 Statement of Net Position	24
A-2 Statement of Activities.....	25
SECTION B – FUND FINANCIAL STATEMENTS	26
GOVERNMENTAL FUNDS	27
B-1 Balance Sheet.....	28
B-2 Statement of Revenues, Expenditures and Changes in Fund Balance	29
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	30
PROPRIETARY FUNDS	31
B-4 Statement of Fund Net Position	32
B-5 Statement of Revenues, Expenses, and Changes in Net Position	33
B-6 Statement of Cash Flows	34
FIDUCIARY FUNDS.....	35
B-7 Statement of Fiduciary Net Position.....	36
B-8 Statement of Changes in Fiduciary Net Position.....	37
NOTES TO BASIC FINANCIAL STATEMENTS	38
REQUIRED SUPPLEMENTARY INFORMATION – PART II.....	60

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
FINANCIAL SECTION (CONTINUED)	
SECTION C – BUDGETARY COMPARISON SCHEDULES.....	61
C-1 Budgetary Comparison Schedule – General Fund	62
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b American Recovery and Reinvestment Act - Budget and Actual	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	64
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION.....	65
C-3 Budget-to-GAAP Reconciliation	66
OTHER SUPPLEMENTARY INFORMATION.....	67
SECTION D – SCHOOL LEVEL SCHEDULES.....	N/A
D-1 Combining Balance Sheet.....	N/A
D-2 Blended Resource Fund - Schedule of Expenditures Allocated by Resource Type - Actual.....	N/A
D-3 Blended Resource Fund - Schedule of Blended Expenditures - Budget and Actual	N/A
SECTION E – SPECIAL REVENUE FUND.....	68
E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis.....	69
E-2 Preschool Education Aid Schedule of Expenditures - Budgetary Basis.....	N/A
SECTION F – CAPITAL PROJECTS FUND.....	N/A
F-1 Summary of Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis.....	N/A
SECTION G – PROPRIETARY FUND.....	70
ENTERPRISE FUND.....	N/A
G-1 Combining Schedule of Net Position.....	N/A
G-2 Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position.....	N/A
G-3 Combining Schedule of Cash Flows	N/A

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
FINANCIAL SECTION (CONTINUED)	
INTERNAL SERVICE FUND.....	N/A
G-4 Combining Schedule of Net Position.....	N/A
G-5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Net Position	N/A
G-6 Combining Schedule of Cash Flows	N/A
SECTION H – FIDUCIARY FUND.....	71
H-1 Combining Statement of Fiduciary Net Position.....	72
H-2 Statement of Changes in Fiduciary Net Position.....	73
H-3 Student Activity Fund – Schedule of Receipts and Disbursements	74
H-4 Payroll Agency Fund – Schedule of Receipts and Disbursements	75
SECTION I – LONG-TERM DEBT.....	N/A
I-1 Schedule of Serial Bonds.....	N/A
I-2 Schedule of Obligations under Capital Leases.....	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule.....	N/A
STATISTICAL SECTION (UNAUDITED).....	76
INTRODUCTION TO THE STATISTICAL SECTION.....	77
FINANCIAL TRENDS	78
J-1 Net Position by Component	79
J-2 Changes in Net Position	80
J-3 Fund Balances-Governmental Funds	81
J-4 Changes in Fund Balances, Governmental Funds	82
J-5 General Fund Other Local Revenue by Source (NJ)	83
REVENUE CAPACITY.....	N/A
J-6 Assessed Value and Estimated Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Taxpayers*.....	N/A
J-9 Property Tax Levies and Collections	N/A
DEBT CAPACITY.....	N/A
J-10 Ratios of Outstanding Debt by Type	N/A
J-11 Ratios of General Bonded Debt Outstanding.....	N/A
J-12 Direct and Overlapping Governmental Activities Debt.....	N/A
J-13 Legal Debt Margin Information.....	N/A

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
TABLE OF CONTENTS**

	Page
STATISTICAL SECTION (CONTINUED)	
DEMOGRAPHIC AND ECONOMIC INFORMATION.....	N/A
J-14 Demographic and Economic Statistics.....	N/A
J-15 Principal Employers, Current and Ten Yrs Ago	N/A
OPERATING INFORMATION.....	84
J-16 Full-time Equivalent Charter School Employees by Function/Program	85
J-17 Operating Statistics.....	86
J-18 School Building Information	87
J-19 Schedule of Required Maintenance Expenditures by School Facility.....	N/A
J-20 Insurance Schedule (NJ).....	88
 *Private citizens should be listed as Individual Taxpayer1, Individual Taxpayer2, etc.	
CHARTER SCHOOL PERFORMANCE FRAMEWORK FINANCIAL INDICATORS	89
J-21 Near Term Indicator	90
J-22 Sustainability Indicator	91
SINGLE AUDIT SECTION	92
K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> Standards.....	93
K-2 Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control over Compliance In Accordance With New Jersey OMB Circular 04-04	95
K-3 Schedule of Expenditures of Federal Awards – Schedule A.....	98
K-4 Schedule of Awards of State Financial Assistance – Schedule B.....	99
K-5 Notes to the Schedules of Expenditures of Awards and Financial Assistance.....	100
K-6 Schedule of Findings and Questioned Costs.....	103
K-7 Summary Schedule of Prior Year Audit Findings and Questioned Costs As Prepared by Management.....	107

INTRODUCTORY SECTION

***THOMAS EDISON ENERGYSMART CHARTER SCHOOL
92 CORTELYOUS LANE
FRANKLIN TOWNSHIP, NEW JERSEY 08873***

August 30, 2013

Honorable President and
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School
County of Somerset
Franklin Township, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Thomas Edison EnergySmart Charter School (Charter School) for the fiscal year ended June 30, 2013. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of Thomas Edison EnergySmart Charter School with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a Table of Contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments and Non-Profit Organizations”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, , “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

An elected six-member Board of Education (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Chief Education Officer is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The Financial Coordinator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES: Thomas Edison EnergySmart Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the Charter School are included in this report. Thomas Edison EnergySmart Charter School Board of Trustees constitutes the Charter School’s reporting entity.

Thomas Edison EnergySmart Charter School was granted its charter to operate their charter school during the 2010-2011 academic year, but could not open its doors until September, 2012, for their first school year, due to building issues. Thomas Edison EnergySmart Charter School began its school with grades Kindergarten through Grade 4 for its initial year, and it plans to add a new grade each year up to the 8th Grade.

Thomas Edison EnergySmart Charter School provides a full range of services appropriate to Grades Kindergarten thru 4 in its initial year. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2012-2013 school year with an enrollment of 210 students. The following details the student enrollment of the Charter School.

Average Daily Enrollment (ADE)

Fiscal Year	Actual Student Enrollment	Percent Change - ADE
2012-2013	208	0.00%

2. MISSION AND GOALS: The mission of the Thomas Edison EnergySmart Charter School is to provide academic and social challenges and opportunities to students, instilling the skills and knowledge that they will need to succeed in their lives. The school aims to forge a powerful partnership out of the student-teacher-parent triad. This partnership will provide and empower our youth with the support necessary to reach their highest potential – intellectually, socially, emotionally and physically – building on their inherent promise to aid in their preparation for college and career. The school's specific goals are to make its students aware of the green renewable resources and the hazards of global warming. Students are exposed to well designed common core aligned curriculum. Teachers 21st century skills and technology to make learning interactive, interesting and engaging for all students. Thomas Edison EnergySmart Charter School also offers after school activities like drama clubs, robotics, I-Pad classes, and similar opportunities to facilitate the well-rounded development of its students.

3. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Board of Trustees also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

4. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2013.

5. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

6. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

7. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was

designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996 and the related OMB Circular A-133, “Audits of State, Local Governments and Non-Profit Organization” and State Treasury Circular Letter 04-04 OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.” The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

8. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of Thomas Edison EnergySmart Charter School Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



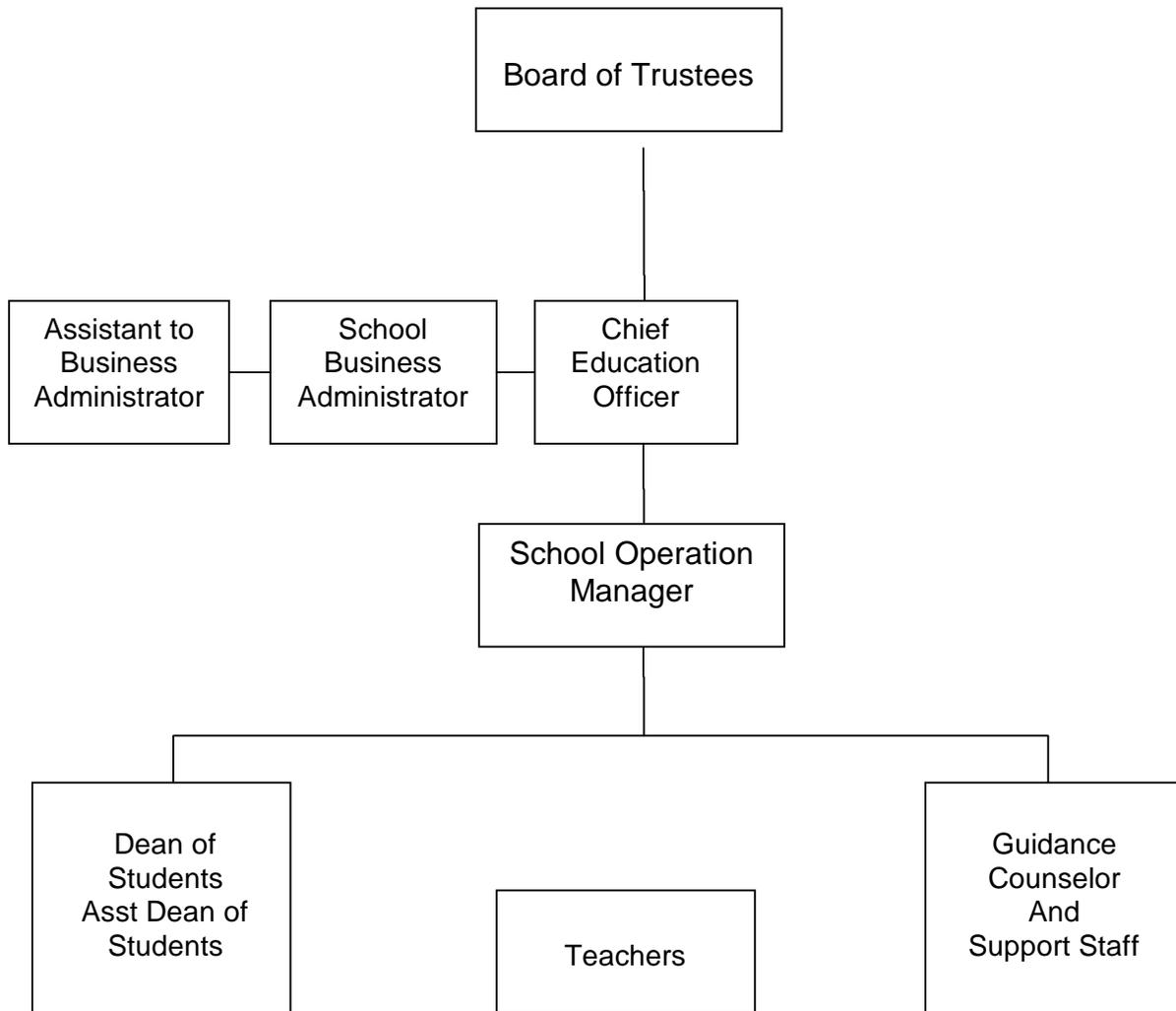
Oguz Yildiz
Chief Education Officer



Atilla Sabahoglu
Business Administrator

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

ORGANIZATIONAL CHART



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2013**

MEMBERS OF THE BOARD OF TRUSTEES

POSITION

Candemir Toklu

President

Keshaw Sahay

Vice President

Susan Sheffmaker

Trustee

Hanin Nashif

Trustee

Naif Tiryaki

Trustee

Mehmet Uzunucu

Trustee

OTHER OFFICIALS

Oguz Yildiz

Chief Education Officer

Atilla Sabahoglu

Bd. Sec'y/Business Administrator

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, NJ 07083

Attorneys

Brenda Liss
Riker Danzig
Headquarters Plaza
One Speedwell Avenue
Morristown, NJ 07962-1981

Official Depository

PNC Bank
8800 Tincum Boulevard
Philadelphia, PA 19153

FINANCIAL SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School
Franklin Township, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School (Charter School), in the County of Somerset, State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Charter School's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of

the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School, in the , State of New Jersey, as of June 30, 2013, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 15 and 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual

nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, on our consideration of the Thomas Edison EnergySmart Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

August 30, 2013

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED**

The discussion and analysis of Thomas Edison EnergySmart Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2013 are as follows:

- ❖ General revenues accounted for \$2,876,071 in revenue or 99% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$37,330 or 1% of total revenues of \$2,913,401.
- ❖ The Charter School had \$2,126,094 in expenses; only \$37,330 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$2,876,071 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$2,292,117 in revenues and \$1,537,887 in expenditures. The General Fund's fund balance increased \$754,230. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Thomas Edison EnergySmart Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Using this Comprehensive Annual Financial Report (CAFR) (Continued)

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Thomas Edison EnergySmart Charter School, the General Fund is by far the most significant fund.

Reporting the Charter School as a Whole

Statement of Net Positions and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Statement of Net Position and the Statement of Activities (Continued)

- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service and School Store enterprise funds are reported as business activities.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Fund

The proprietary fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 38 of this report.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

The Charter School as a Whole

Recall that the *Statement of Net Positions* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined Net Position were \$787,307 for 2013, its first year of operations.

Governmental Activities

The Charter School's total revenues were \$2,793,526 for the year ended June 30, 2013. This includes \$42,191 for 2013 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$2,039,296 for 2013. Instruction comprises 57% for 2013 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents school instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

Business-Type Activity

Revenues for the Charter School's business-type activity (food service program and school store) are comprised of charges for services and federal and state reimbursements.

FOOD SERVICE

- ❖ Expenses exceeded revenues by \$21,190 for 2013.
- ❖ Charges for services represent \$26,379 for 2013 of revenue. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunch, breakfast, and snack programs were \$10,951 for 2013.

SCHOOL STORE

- ❖ Revenues exceeded expenses by \$4,473 for 2013.
- ❖ Charges for services represent \$32,751 for 2013 of revenue. This represents amounts paid by patrons for shirt sales.

AFTER CARE

- ❖ Revenues exceeded expenses by \$49,794 or 2013.
- ❖ Charges for services represent for 2013 of revenue. This represents amounts paid by patrons for shirt sales.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$2,793,526 for 2013; and expenditures were \$2,039,296 for 2013. The net change in fund balance for the year was most significant in the general fund, an increase of \$754,230 in 2013.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

The Charter School's Funds (Continued)

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2013, and the amounts and percentages of increases and decreases in relation to prior year amounts.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2012</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 1,920,628	68.75%	\$ 1,920,628	0.00%
State Sources	371,489	13.30%	371,489	0.00%
Federal Sources	<u>501,409</u>	<u>17.95%</u>	<u>501,409</u>	<u>0.00%</u>
Total	<u>\$ 2,793,526</u>	<u>100.00%</u>	<u>\$ 2,793,526</u>	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2013, and the amounts and percentages of increases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2012</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 1,054,206	51.69%	\$ 1,054,206	0.00%
Administration	466,742	22.89%	466,742	0.00%
Support Services	<u>518,348</u>	<u>25.42%</u>	<u>518,348</u>	<u>0.00%</u>
Total	<u>\$ 2,039,296</u>	<u>100.00%</u>	<u>\$ 2,039,296</u>	

Changes in expenditures were the results of varying factors.

General Fund Budgeting Highlights

The Charter School's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
UNAUDITED
(CONTINUED)**

General Fund Budgeting Highlights (Continued)

Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

Capital Assets (Net of Depreciation)

The Charter School had \$0 invested in site improvements at the end of the fiscal year 2013.

For the Future

Thomas Edison EnergySmart Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Thomas Edison EnergySmart Charter School has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Oguz Yildiz, Chief Education Officer at Thomas Edison EnergySmart Charter School, 92 Cortelyous Lane, Franklin Township, New Jersey 08873. Please visit our website at energysmartschool.org.

BASIC FINANCIAL STATEMENTS

SECTION A – CHATER SCHOOL-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Statement of Net Positions
June 30, 2013
(Initial Year)

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 686,104	\$ 18,489	\$ 704,593
Interfund Receivables	57,656	9,657	67,313
Receivables	73,924	558	74,482
Inventories		14,130	14,130
Prepaid Expenses	30,000		30,000
Other Assets		21,265	21,265
Total Assets	847,684	64,099	911,783
LIABILITIES:			
Interfund Payable	28,108	31,022	59,130
Payable to State Government	6,465		6,465
Accounts Payable	58,881		58,881
Total Liabilities	93,454	31,022	124,476
NET POSITIONS:			
Unrestricted	754,230	33,077	787,307
Total Net Position	\$ 754,230	\$ 33,077	\$ 787,307

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Statement of Activities
 For The Fiscal Year Ended June 30, 2013
 (Initial Year)

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position	
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 1,054,206	\$ 98,601	\$ -	\$ -	\$ -	\$ (1,152,807)	\$ (1,152,807)
Administration	293,839	44,951	-	-	(338,790)		(338,790)
Support Services	518,348	29,351	-	-	(547,699)		(547,699)
Capital Outlay					-		-
Interest on Long-Term Debt					-		-
Unallocated Depreciation					-		-
Total Governmental Activities	1,866,393	\$ 172,903	-	-	(2,039,296)	-	(2,039,296)
BUSINESS-TYPE ACTIVITIES:							
Food Service and School Store	86,798		37,330			(49,468)	(49,468)
Total Business-Type Activities	86,798		37,330			(49,468)	(49,468)
Total Primary Government	\$ 1,953,191		\$ 37,330	\$ -	\$ (2,039,296)	(49,468)	(2,088,764)
GENERAL REVENUES							
General Purposes					-		-
Federal and State Aid Not Restricted					872,898		872,898
Miscellaneous Income					1,920,628		2,003,173
Total General Revenues					2,793,526	82,545	2,876,071
Change in Net Position					754,230	33,077	787,307
Net Position - Beginning					-	-	-
Net Position - Ending					\$ 754,230	\$ 33,077	\$ 787,307

SECTION B – FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Governmental Funds
 Balance Sheet
 June 30, 2013
 (Initial Year)

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 642,559	\$ 43,545	\$ 686,104
Interfund Receivables	57,656		57,656
Receivables from Other Governments	30,728	43,196	73,924
Security Deposit	30,000		30,000
Total Assets	\$ 760,943	\$ 86,741	\$ 847,684
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	\$ -	\$ 28,108	\$ 28,108
Payables to District	6,465		6,465
Accounts Payable	248	58,633	58,881
Total Liabilities	6,713	86,741	93,454
 Fund Balances:			
Unreserved:			
Unassigned - General Fund	754,230		754,230
Total Fund Balances	754,230	-	754,230
Total Liabilities and Fund Balances	\$ 760,943	\$ 86,741	
Net Position of Governmental Activities			\$ 754,230

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 1,920,628	\$ -	1,920,628
Total Local Sources	1,920,628	-	1,920,628
State Sources	371,489		371,489
Federal Sources		501,409	501,409
Total Revenues	<u>2,292,117</u>	<u>501,409</u>	<u>2,793,526</u>
EXPENDITURES:			
Instruction	567,772	486,434	1,054,206
Administration	466,742		466,742
Support Services	503,373	14,975	518,348
Capital Outlay			-
Total Expenditures	<u>1,537,887</u>	<u>501,409</u>	<u>2,039,296</u>
NET CHANGE IN FUND BALANCES	754,230	-	754,230
FUND BALANCES, JULY 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, JUNE 30	<u>\$ 754,230</u>	<u>\$ -</u>	<u>\$ 754,230</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

Total net change in fund balances - governmental funds (B-2)	\$	754,230
Depreciation Expense		-
Change in net position of governmental activities	\$	754,230

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Proprietary Fund
Statement of Fund Net Position
June 30, 2013
(Initial Year)

	Business-Type Activities			Enterprise Funds	Total
	Food Service	School Store	After Care		
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 18,489	\$ -	\$ -	\$ -	\$ 18,489
Due From Other Funds	9,657				9,657
Intergovernmental Accounts Receivable:					
Federal	537				537
State	21				21
Inventories		14,130			14,130
Prepaid Expenses					-
Other Assets	4,515		16,750		21,265
Total Current Assets	33,219	14,130	16,750		64,099
Total Assets	\$ 33,219	\$ 14,130	\$ 16,750		\$ 64,099
LIABILITIES AND NET POSITION:					
Liabilities:					
Interfund Accounts Payable	\$ 4,615	\$ 9,657	\$ 16,750		\$ 31,022
Total Liabilities	4,615	9,657	16,750		31,022
Net Position:					
Unrestricted	28,604	4,473	-		33,077
Total Net Position	28,604	4,473	-		33,077
Total Liabilities and Net Position	\$ 33,219	\$ 14,130	\$ 16,750		\$ 64,099

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2013
(Initial Year)

	Business-Type Activities Enterprise Fund			
	Food Service	School Store	After Care	Total
OPERATING REVENUES:				
Charges for Services:				
Daily Sales Non-reimbursable Program	\$ 26,379	\$ 32,751	\$ 49,794	\$ 108,924
Miscellaneous Revenue				-
Total Operating Revenues	26,379	32,751	49,794	108,924
OPERATING EXPENSES:				
Salaries	16,752			16,752
Management Fees	8,000			8,000
Supplies and Materials	8,540			8,540
Cost of Sales	21,669	28,278		49,947
Miscellaneous Expenses	3,559			3,559
Total Operating Expenses	58,520	28,278	-	86,798
OPERATING INCOME (LOSS)	(32,141)	4,473	49,794	22,126
NONOPERATING REVENUES:				
State Source:				
State School Breakfast Program				-
State School Lunch Program	466			466
Federal Source:				
National School Breakfast Program	1,586			1,586
National School Lunch Program	8,899			8,899
Transfers From General Fund				-
Total Nonoperating Revenues	10,951	-	-	10,951
CHANGE IN NET POSITION	(21,190)	4,473	49,794	33,077
TOTAL NET POSITION, JULY 1	-	-	-	-
TOTAL NET POSITION, JUNE 30	\$ (21,190)	\$ 4,473	\$ 49,794	\$ 33,077

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Proprietary Fund
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

	Business-Type Activities Enterprise Fund			Total
	Food Service	School Store	After Care	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 16,164	\$ 32,751	\$ 49,794	\$ 98,709
Cash Payments to Suppliers and Employees	(53,905)	(32,751)	16,750	(69,906)
Net Cash Provided By (Used In) Operating Activities	(37,741)	-	66,544	28,803
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash Received From State And Federal Reimbursements Transfers In	10,951			10,951
Net Cash Provided By Noncapital Financing Activities	10,951	-	-	10,951
Net Increase (Decrease) In Cash And Cash Equivalents	(26,790)	-	66,544	39,754
Net Transfers to Other Enterprise Operations	45,279		(66,544)	(21,265)
Cash And Cash Equivalents, Beginning Of Year	-	-	-	-
Cash And Cash Equivalents, End Of Year	<u>\$ 18,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,489</u>
Reconciliation of Operating Loss to Net Cash Provided By (Used in)				
Operating Activities:				
Operating Income (Loss) Used in Operating Activities	\$ (32,141)	\$ 4,473	\$ 49,794	\$ 22,126
Change in Assets and Liabilities:				
Increase In Due From Other Funds	(9,657)			(9,657)
Increase in Receivables From Other Governments	(558)			(558)
(Increase) Decrease In Inventories		(14,130)		(14,130)
Increase (Decrease) In Interfund Payable	4,615	9,657	16,750	31,022
Net Cash Provided By (Used In) Operating Activities	<u>\$ (37,741)</u>	<u>\$ -</u>	<u>\$ 66,544</u>	<u>\$ 28,803</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2013
 (Initial Year)

	<u>Unemployment Compensation Insurance</u>	<u>Agency Fund</u>
ASSETS:		
Cash and Cash Equivalents	\$ 2,919	\$ 1,918
Interfund Accounts Receivable		<u>1,929</u>
Total Assets	<u>2,919</u>	<u>\$ 3,847</u>
LIABILITIES:		
Interfund Accounts Payable		\$ 112
Payroll Deductions and Withholdings		1
Due to Student Groups		<u>3,734</u>
Total Liabilities	<u>-</u>	<u>\$ 3,847</u>
NET POSITION:		
Reserved for Unemployment Claims	100	
Unreserved	<u>2,819</u>	
Total Net Position	<u>\$ 2,919</u>	

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	\$ 2,853
Board Contributions	
	<hr/>
Total Additions	<u>2,853</u>
DEDUCTIONS:	
Miscellaneous Expenses	<u>34</u>
Total Deductions	<u>34</u>
CHANGE IN NET POSITION	2,819
NET POSITION - BEGINNING OF THE YEAR	<u>100</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 2,919</u></u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Thomas Edison EnergySmart Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

A. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. Its mission is to establish a charter school to serve as a neighborhood resource and as a model for other similar schools. Thomas Edison EnergySmart Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

B. Basis of Presentation

The Charter School's basic financial statements consist of Charter School-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Charter School-Wide Statements: The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activity of the Charter School at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the Charter School and for each function of the Charter School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category — *governmental*, *proprietary*, and *fiduciary* — are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting models.

The Charter School reports the following governmental funds:

General Fund: The general fund is the general operating fund of the Charter School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the Charter School includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Special Revenue Fund: The special revenue fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Enterprise (School Store) Fund: The enterprise fund also accounts for all revenues and expenses pertaining to the school store operations, which currently entails the sale of T-Shirts to students. The school store fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. Similar to the Food Service Fund, the stated intent is that the costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others which includes Net Payroll Fund, Payroll Agency Fund, Unemployment Compensation Trust Fund and Student Activities Fund.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting – Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the Charter School follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. Charter Schools also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Board has elected not to follow FASB guidance issued subsequent to November 30, 1989.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. Budgets are prepared using the modified accrual basis of accounting except for special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be approved by School Board resolution.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles (GAAP) with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

The following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

Total Revenues & Expenditures (Budgetary Basis)	\$ 501,409
Adjustments:	
Less Encumbrances at June 30, 2013	-
Plus Encumbrances at June 30, 2012	-
Total Revenues and Expenditures (GAAP Basis)	<u>\$ 501,409</u>

E. Encumbrances Accounting

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School - wide statements are reported in the same manner as general revenues.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Charter School does not possess any infrastructure. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Accrued Salaries and Wages:

Certain Charter School employees who provide services to the Charter School over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

Assets, Liabilities, and Equity (Continued)

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

As a result of GASB 40, effective June 15, 2004, custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The previous GASB Statement No. 3 disclosures generally referred to as Category 1 and Category 2 deposits and investments are eliminated. However, GASB No. 40 does not change the required disclosure of authorized investments or the requirements for reporting certain repurchase agreements and reverse repurchase agreements, and it maintains, with modification, the level-of-detail disclosure requirements of GASB Statement No. 3.

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Board to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2013

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of June 30, 2013, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 642,559	\$43,545	\$18,489	\$ 14,836	\$719,429

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost.

For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2013 was \$719,429 and the bank balance was \$781,636 . All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. Although GASB Statement No. 40 eliminated Categories 1 and 2 as previously established by GASB Statement No. 3, it maintained, with modification, the level-of-disclosure requirements of GASB Statement No. 3.

As of June 30, 2013, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2013, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2013, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 30,728	\$ 30,749
Federal Aid	43,196	43,733
Other	-	9,657
Gross Receivables	73,924	84,139
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 73,924</u>	<u>\$ 84,139</u>

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2013

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2013:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 57,656	\$ -
Special Revenue Fund		28,108
Proprietary Fund	9,657	31,022
Fiduciary Fund	1,929	10,112
Total	\$ 69,242	\$ 69,242

NOTE 5: CAPITAL ASSETS

The school did not acquire any capital assets during the school year, and as such, there was no Capital asset activity for the fiscal year ended June 30, 2013.

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by Charter Schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense of \$0 was charged to an unallocated function.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 6: RENTAL LEASES

The school leased space at 17 Schoolhouse Road, Somerset, New Jersey under a sharing arrangement with Central Jersey College Preparatory Charter School for one (1) year commencing with the 2012-2013 school year. The school did enter into a lease agreement for a new building located at 92 Cortelyous Lane, Franklin Township, New Jersey. The term of the lease was for one year, from September 2, 2013, to August 25, 2014. The Lease Agreement contained an option to renew for one (1) additional year. The annual rental for the first year of the new lease is \$173,000, which rental amount would remain intact for the renewal year. The rental payments amounted to \$265,267 for the year ended June 30, 2013. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2013	<u>\$ 173,000</u>
Total minimum lease payments	<u><u>\$ 173,000</u></u>

NOTE 7: PENSION PLANS

Description of Plans

All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 7: PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the system's other related noncontributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:1 5A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, Charter School or public agency, provided the employee is not required to be a member of another State-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:66 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years).

Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2013

NOTE 7: PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions (Continued)

PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation

Legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of one percent to 4.5 percent for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the School's normal contributions to the Fund may be reduced based on the revaluation of assets. From fiscal year 1997 to fiscal year 2003, State and local government employers were not required to make contributions to the pension funds. The use of surplus pension assets replaced the annual payments that would otherwise have been made by employers. Subsequent law, P.L.2003, c.108, led to the resumption of contributions, on a phased-in approach. In 2009, employer contributions to PERS were further amended by P.L.2009, c.19.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.64% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 7: PENSION PLANS (CONTINUED)

Contribution Requirements (continued)

and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a noncontributing employer of TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/13	None	100%	None

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/13	None	100%	None

NOTE 8: POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2012 there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2013

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

The state is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

NOTE 9: RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability, student accident, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$754,230 fund balance total in General Fund at June 30, 2013, \$754,230 is unreserved and undesignated.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

General Fund
Budgetary Comparison Schedule
Fiscal Year Ended June 30, 2013
(Initial Year)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Levy Budget:					
District Equalization - Charter School Aid	\$ 1,912,604	\$ -	\$ 1,912,604	\$ 1,920,628	\$ 8,024
Total Local Levy	1,912,604	-	1,912,604	1,920,628	8,024
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	308,198	(109,597)	198,601	200,869	2,268
Special Education Aid	111,060	(98,336)	12,724	10,149	(2,575)
Categorical Security Aid	20,256	(3,335)	16,921	16,819	(102)
Other State Aid		101,461	101,461	101,461	-
Total Categorical Aid	439,514	(109,807)	329,707	329,298	(409)
Revenues From Other Sources:					
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				42,191	42,191
Total Revenues From Other Sources	-	-	-	42,191	42,191
Total Revenues	2,352,118	(109,807)	2,242,311	2,292,117	49,806
EXPENDITURES:					
Instruction:					
Salaries of Teachers	589,000	(79,249)	509,751	470,281	39,470
Other Salaries for Instruction	110,000	(56,350)	53,650	53,650	-
Purchased Prof/Tech Services	51,069	(39,673)	11,396	11,396	-
Other Purchased Services	2,000		2,000	1,301	699
General Supplies	117,500	(101,582)	15,918	8,910	7,008
Textbooks	85,000	(80,642)	4,358	2,327	2,031
Miscellaneous	20,000	10,046	30,046	19,907	10,139
Total Instruction	974,569	(347,450)	627,119	567,772	59,347
Administration:					
Salaries - General Administration	140,000	67,700	207,700	207,700	-
Salaries of Secretarial/Clerical Assistants	30,000	1,153	31,153	31,153	-
Total Benefits Cost	291,498	(157,356)	134,142	130,711	3,431
Purchases Prof/Tech Services	15,000	(9,272)	5,728	5,465	263
Communications/Telephone	23,000	(13,524)	9,476	9,476	-
Supplies and Materials	21,150	11,652	32,802	32,766	36
Miscellaneous Expenses	6,750	2,487	9,237	7,280	1,957
Total Administration	527,398	(97,160)	430,238	424,551	5,687

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
Fiscal Year Ended June 30, 2013
(Initial Year)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 242,000	\$ (80,024)	\$ 161,976	\$ 155,961	\$ 6,015
Purchased Prof/Ed Services	96,900	(32,252)	64,648	44,344	20,304
Rental of Land and Buildings	287,000	9,627	296,627	265,267	31,360
Other Purchased Services	50,800	(30,620)	20,180	20,180	-
Insurance for Property, Liability and Fidelity	17,200	(1,200)	16,000	14,021	1,979
Supplies and Materials	20,500	(14,166)	6,334	3,600	2,734
Total Support Services	714,400	(148,635)	565,765	503,373	62,392
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	42,191	(42,191)
Total Expenditures	2,216,367	(593,245)	1,623,122	1,537,887	85,235
Excess (Deficiency) of Revenues Over (Under) Expenditures	135,751	483,438	619,189	754,230	135,041
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	135,751	483,438	619,189	754,230	135,041
FUND BALANCE, JULY 1	-	-	-	-	-
FUND BALANCE, JUNE 30	\$ 135,751	\$ 483,438	\$ 619,189	\$ 754,230	\$ 135,041
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 135,751	\$ 483,438	\$ 619,189	\$ 754,230	\$ 135,041
Total	\$ 135,751	\$ 483,438	\$ 619,189	\$ 754,230	\$ 135,041

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 530,507	\$ (29,098)	\$ 501,409	\$ 501,409	\$ -
Total Revenues	<u>530,507</u>	<u>(29,098)</u>	<u>501,409</u>	<u>501,409</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries	19,000	13,133	32,133	32,133	-
Purchased Prof/Tech Services	49,525	25,017	74,542	74,542	-
Other Purchased Services	83,549	(40,543)	43,006	43,006	-
General Supplies	243,212	186	243,398	243,398	-
Textbooks	134,390	(41,035)	93,355	93,355	-
Other Objects	750	(750)	-	-	-
Total Instruction	<u>530,426</u>	<u>(43,992)</u>	<u>486,434</u>	<u>486,434</u>	<u>-</u>
Support Services:					
Personal Services - Employee Benefits		2,627	2,627	2,627	-
Purchased Technical Services		12,348	12,348	12,348	-
Total Support Services	<u>-</u>	<u>14,975</u>	<u>14,975</u>	<u>14,975</u>	<u>-</u>
Total Expenditures	<u>530,426</u>	<u>(29,017)</u>	<u>501,409</u>	<u>501,409</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 81</u>	<u>\$ (81)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

CENTRAL JERSEY COLLEGE PREP CHARTER SCHOOL

E-1

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2013
(Initial Year)

	I.D.E.A. Part B	ARRA Title I	Grand Total
REVENUE SOURCES:			
Federal	\$ 28,108	\$ 473,301	\$ 501,409
Total Revenues	<u>28,108</u>	<u>473,301</u>	<u>501,409</u>
EXPENDITURES:			
Instruction:			
Salaries	13,133	19,000	32,133
General Supplies		243,398	243,398
Total Instruction	<u>13,133</u>	<u>473,301</u>	<u>486,434</u>
Support Services:			
Personal Services - Employee Benefits	2,627		2,627
Other Purchased Prof/Tech Services	12,348		12,348
Total Support Services	<u>14,975</u>	<u>-</u>	<u>14,975</u>
Total Expenditures	<u>28,108</u>	<u>473,301</u>	<u>501,409</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – The fund provides for the operation of food services in all schools within the school district.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND
B-6.**

SECTION H – FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – this agency fund is used to account for payroll transactions of the school district.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2013
 (Initial Year)

	Trust	Agency			Total Agency Fund
	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	Student Activities	
ASSETS:					
Cash and Cash Equivalents	\$ 2,919	\$ 40	\$ 73	\$ 1,805	\$ 1,918
Interfund Accounts Receivable				1,929	1,929
Total Assets	<u>2,919</u>	<u>\$ 40</u>	<u>\$ 73</u>	<u>\$ 3,734</u>	<u>\$ 3,847</u>
LIABILITIES:					
Interfund Accounts Payable		\$ 39	\$ 73	\$ -	\$ 112
Payroll Deductions and Withholdings Due to Student Groups		1		3,734	1 3,734
Total Liabilities	<u>-</u>	<u>\$ 40</u>	<u>\$ 73</u>	<u>\$ 3,734</u>	<u>\$ 3,847</u>
NET POSITION:					
Reserved for Unemployment Claims	100				
Unreserved	<u>2,819</u>				
Total Net Position	<u>\$ 2,919</u>				

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	<u>\$ 2,853</u>
Total Additions	<u>2,853</u>
DEDUCTIONS:	
Miscellaneous Expenses	<u>34</u>
Total Deductions	<u>34</u>
CHANGE IN NET POSITION	2,819
NET POSITION - BEGINNING OF THE YEAR	<u>100</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 2,919</u></u>

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Student Activity Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

	<u>Balance</u> <u>July 1, 2012</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2013</u>
School Activities	\$ 100	\$ 10,655	\$ 8,950	\$ 1,805
Total	<u>\$ 100</u>	<u>\$ 10,655</u>	<u>\$ 8,950</u>	<u>\$ 1,805</u>

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2013
 (Initial Year)

	<u>Balance July 1, 2012</u>	<u>Cash Additions</u>	<u>Cash Deletions</u>	<u>Balance June 30, 2013</u>
ASSETS:				
Cash and Cash Equivalents	\$ 100	300,417	300,478	\$ 39
Total Assets	<u>\$ 100</u>	<u>\$ 300,417</u>	<u>\$ 300,478</u>	<u>\$ 39</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 100	\$ -	\$ 61	\$ 39
Payroll Deductions and Withholdings	<u>-</u>	<u>300,417</u>	<u>300,417</u>	<u>-</u>
Total Liabilities	<u>\$ 100</u>	<u>\$ 300,417</u>	<u>\$ 300,478</u>	<u>\$ 39</u>

STATISTICAL SECTION (UNAUDITED)

Thomas Edison EnergySmart Charter School has been in operation for (1) one year. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for (1) one year is available and has been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the charter school's financial performance and well being have changed over time.

Revenue Capacity (Not Applicable to Charter School)

These schedules contain information to help the reader assess the Charter School's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the charter school's current levels of outstanding debt and the charter school's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the charter school's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the charter school's financial report relates to the services the charter school provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2007; schedules presenting charter school-wide information include information beginning that year.

FINANCIAL TRENDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Net Assets/Position by Component

Initial Year

(accrual basis of accounting)

	<u>Fiscal Year Ending June 30,</u> <u>2013</u>
Governmental Activities	
Unrestricted	754,230
Total Governmental Activities Net Assets/Position	<u>\$ 754,230</u>
Business-Type Activities	
Unrestricted	\$ 33,077
Total Business-Type Activities Net Assets/Position	<u>\$ 33,077</u>
Charter School-wide	
Unrestricted	787,307
Total Charter School-wide Net Assets/Position	<u>\$ 787,307</u>

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Changes in Net Assets/Position
 Initial Year
(accrual basis of accounting)

	Fiscal Year Ending June 30, 2013
Expenses	
Governmental Activities:	
Instruction	\$ 1,152,807
Administration	338,790
Support Services	547,699
Total Governmental Activities Expenses	2,039,296
Business-Type Activities:	
Food Service and School Store	58,520
Total Business-Type Activities Expenses	58,520
Total Charter School Expenses	\$ 2,097,816
Program Revenues	
Business-Type Activities:	
Charges for Services	37,330
Total Business-Type Activities Expenses	37,330
Total Charter School Program Revenues	\$ 37,330
Net (Expense)/Revenue	
Governmental Activities	\$ (2,039,296)
Business-Type Activities	(21,190)
Total Charter School-wide Net Expense	\$ (2,060,486)
General Revenues and Other Changes in Net Assets/Position	
Governmental Activities:	
Federal and State Aid Not Restricted	872,898
Miscellaneous Income	1,920,628
Total Governmental Activities	2,793,526
Business-Type Activities:	
Total Business-Type Activities	82,545
Total Charter School-wide	\$ 2,876,071
Change in Net Assets/Position	
Governmental Activities	\$ 754,230
Business-Type Activities	61,355
Total Charter School	\$ 815,585

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Fund Balances - Governmental Funds
Initial Year
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,
	2013
General Fund	
Reserved	\$ -
Unreserved	754,230
	754,230
Total General Fund	\$ 754,230
All Other Governmental Funds	
Reserved	\$ -
Unreserved:	
Special Revenue Fund	-
	-
Total All Other Governmental Funds	\$ -

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Initial Year
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	2013
Revenues:	
Local Sources:	
Local Tax Levy	\$ 1,920,628
State Sources	371,489
Federal Sources	501,409
Total Revenues	2,793,526
Expenditures:	
Instruction	1,054,206
Administration	466,742
Support Services	518,348
Total Expenditures	2,039,296
Net Change in Fund Balance	\$ 754,230

Source: Charter School records

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Initial Year
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	Rentals	Donations	Sale of Capital Assets	Sale and Leaseback of Textbooks	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2013	\$ -	-	\$ -	\$ -	-	\$ -	\$ -

Source: Charter School records

OPERATING INFORMATION

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 (Initial Year)

Function	2013
Instruction	14
Administrative	3
Support Services	6
Food Service	-
Total	<u>23</u>

Source: Charter School Personal Records

THOMAS EDISON ENERGY SMART CHARTER SCHOOL
 Operating Statistics
 (Initial Year)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2013	210	\$ 2,039,296	\$ 9,711	N/A	37	N/A	8:1	N/A	208	205	0.00%	98.56%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certified staff.
- c Average daily enrollment and average daily attendance are obtained from School Register Summary (SRS).

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 School Building Information
 Initial Year

	2013
<u>Charter School Building</u>	
<u>Middle School</u>	
Square Feet	10,000
Capacity (students)	210
Enrollment	210
Number of Schools at June 30, 2013	
Middle School = 1	

Source: Charter School's Records

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Insurance Schedule

June 30, 2013

(Initial Year)

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
Hanover Insurance Company		
<u>Property Coverage</u>		
		Policy #ZBY9731269
		Annual Premium (PKG) - \$7,535.00
Property Contents - Replacement Cost Values	\$180,000	\$!,000 Deductible
Electronic Data Processing	\$250,000	\$500 Deductible
Umbrella Liability	\$2,000,000	Policy #UHY9735298
		Deductible - NIL
		Annual Premium - \$2,068.00
<u>General Liability Coverage</u>		
		Policy #ZBY9731269
		Annual Premium (PKG) - \$7,535.00
General Aggregate Limit	\$3,000,000	
Personal Injury	\$1,000,000	
Each Occurrence Limit	\$1,000,000	
Employee Benefit Liability	\$1,000,000	
Medical Expense Limit	\$15,000	
Hired & Non-Owned Auto	\$1,000,000	
Tower Insurance Company		
<u>New Jersey Workers Compensation Coverage</u>		
		Policy #WCC0031049
		Annual Premium - \$15,551.00
Bodily Injury Each Accident	\$1,000,000	Supp WC - \$1,000
Bodily Injury Policy Limit	\$1,000,000	
Bodily Injury Each Employee	\$1,000,000	
Supplemental Indemnity		7 day waiting period
Hanover Insurance Company		
<u>Board of Education - Directors & Officers Liability</u>		
		Policy #LHY9647341
		Annual Premium - \$1,843.00
Each Loss/Aggregate	\$1,000,000	\$5,000 Deductible
Employment Practices	\$1,000,000	\$5,000 Deductible
Hanover Bond #BOY9790453		
		Annual Premium - \$520.00
<u>School Business Administrator/Board Secretary</u>	\$130,000	
Bollinger Insurance Company		
		Policy #PB165
		Annual Premium - \$1,000.00
Student Accident	\$1,000,000	

Source: Charter School's Records

CHARTER SCHOOL PERFORMANCE FRAMEWORK FINANCIAL INDICATORS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Near Term Indicators
 Initial Year

2013 Audit			Source
Cash	\$ 704,593		Audit: Exhibit A-1
Current Assets	185,925		Audit: Exhibit A-1
Total Assets	890,518		Audit: Exhibit A-1
Current Liabilities	124,476		Audit: Exhibit A-1
Total Liabilities	124,476		Audit: Exhibit A-1
Net Assets	766,042		Audit: Exhibit A-1
Total Revenue	2,913,401		Audit: Exhibit A-2
Total Expenses	2,126,094		Audit: Exhibit A-2
Change in Net Assets	787,307		Audit: Exhibit A-2

Final Average Daily Enrollment	208.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	210.00	Charter School Budget

Near Term Indicators			2013	3 YR CUM	Source:
1a.	Current Ratio		1.49		Current Assets/Current Liabilities
1b.	Unrestricted Days Cash		120.96		Cash/(Total Expenses/365)
1c.	Enrollment Variance		99%		Average Daily Enrollment/Budgeted Enrollment
1d.*	Default		N/A		Audit

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? No

Refer questions to charterfinance@doe.state.nj.us

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Sustainability Indicators
 Initial Year

2013 Audit			Source
Cash	\$	704,593	Audit: Exhibit A-1
Current Assets		185,925	Audit: Exhibit A-1
Total Assets		890,518	Audit: Exhibit A-1
Current Liabilities		124,476	Audit: Exhibit A-1
Total Liabilities		124,476	Audit: Exhibit A-1
Net Assets		766,042	Audit: Exhibit A-1
Total Revenue		2,913,401	Audit: Exhibit A-2
Total Expenses		2,126,094	Audit: Exhibit A-2
Change in Net Assets		787,307	Audit: Exhibit A-2
Final Average Daily Enrollment		208.00	DOE Enrollment Reports
March 30th Budgeted Enrollment		210.00	Charter School Budget

Sustainability Indicators		2013	3 YR CUM	Source:
2a.	Total Margin	27%	27%	Change in Net Assets/Total Revenue
2b.	Debt to Asset	0.14		Total Liabilities/Total Assets
2c. **	Cash Flow	\$ 704,593		Net change in cash flow from prior years
2d.	Debt Service Coverage Ratio	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

** 2013 = 2013 Cash - 2012 Cash; 2012 = 2012 Cash - 2011 Cash; 2011 = 2011 Cash - 2010 Cash

Refer questions to charterfinance@doe.state.nj.us

SINGLE AUDIT SECTION

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

K-1
Page 1

Independent Auditor’s Report

Honorable President and
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School
Franklin Township, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Thomas Edison EnergySmart Charter School (Charter School), in the , State of New Jersey, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements, and have issued our report thereon dated August 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weakness may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Restriction on Use

This report is intended solely for the information and use of management, the audit committee, Thomas Edison EnergySmart Charter School Board of Trustees, others within the entity, and the New Jersey Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

August 30, 2013

BARRE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2204 Morris Avenue, Suite 206

Union, New Jersey 07083

(908) 686-3484

FAX – (908) 686-6055

K-2
Page 1

Independent Auditor's Report

Honorable President and
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School

Franklin Township, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the compliance of the Thomas Edison EnergySmart Charter School (Charter School), in the , State of New Jersey, with the types of compliance requirements described in the *U.S. OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the year ended June 30, 2013. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The Charter School's management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, U.S. OMB Circular A-133, and New Jersey OMB's Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Charter School's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Thomas Edison EnergySmart Charter School, in the , State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Thomas Edison EnergySmart Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with U.S. OMB Circular A-133 and New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

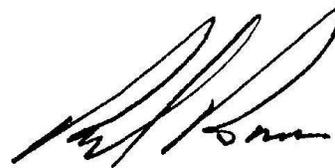
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance*.

is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Restriction on Use

This report is intended solely for the information and use of management, the audit committee, Thomas Edison EnergySmart Charter School Board of Trustees, others within the entity, and the New Jersey Department of Education and other federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Richard M. Barre
Licensed Public School Accountant
No. CS-01181
Barre & Company, CPA's

August 30, 2013

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013
Initial Year

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2012	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2013 Deferred Revenue	Due to Grantor
U.S. Department of Education													
Passed-through State Department of Education													
Special Revenue Fund:													
No Child Left Behind Cluster:													
ARRA - Title I Part A	84.389A	ARRA - - 13	473,301	9/1/09 9/30/11	-	-	473,301	(473,301)	-	-	-	-	-
Total No Child Left Behind Cluster							473,301	(473,301)					
Individuals with Disabilities Cluster:													
I.D.E.A. Part B Basic	84.027	IDEA - - 13	28,108	9/1/12 8/31/13	-	-	28,108	(28,108)	-	-	-	-	-
Total Individuals with Disabilities Cluster							28,108	(28,108)					
Total Special Revenue Fund							501,409	(501,409)					
U.S. Department of Agriculture													
Passed-through State Department of Agriculture													
Enterprise Fund:													
School Breakfast Program	10.553	N/A	1,596	7/1/12 6/30/13	-	-	1,596	(1,596)	-	-	(78)	-	-
National School Lunch Program	10.555	N/A	8,899	7/1/12 6/30/13	-	-	8,440	(8,899)	-	-	(459)	-	-
Total Enterprise Fund							9,948	(10,485)			(537)	-	-
Sub-Total Federal Financial Awards							\$ 511,357	\$ (511,894)		\$ -	\$ (537)	\$ -	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2013
Initial Year

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2012		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Year's Balance	Balance at June 30, 2013		MEMO				
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor					Deferred Revenue/ Interfund Payable	Due to Grantor		Budgetary Receivable	Cumulative Total Expenditures		
State Department of Education																	
General Fund:																	
"Local Levy" State Share - Charter School Aid	13-495-004-5120-071	\$ 1,920,628	7/1/12	6/30/13	\$ -	\$ -	\$ -	\$ 1,920,628	\$ (1,920,628)	\$ -	\$ -	\$ -	\$ -	\$ 1,920,628			
Equalization Aid	13-495-004-5120-078	200,869	7/1/12	6/30/13	-	-	200,869	(200,869)	-	-	-	-	-	200,869			
Special Education Aid	13-495-004-5120-089	10,149	7/1/12	6/30/13	-	-	10,149	(10,149)	-	-	-	-	-	10,149			
Security Aid	13-495-004-5120-084	16,819	7/1/12	6/30/13	-	-	16,819	(16,819)	-	-	-	-	-	16,819			
Charter School Aid	13-495-004-5120-081	10,149	7/1/12	6/30/13	-	-	10,149	(10,149)	-	-	-	-	-	10,149			
Reimbursed TPAF - Social Security	13-495-004-5095-002	42,191	7/1/12	6/30/13	-	-	42,191	(42,191)	-	-	-	-	-	42,191			
Total General Fund																	
State Department of Agriculture																	
Enterprise Fund:																	
National School Lunch Program (State Share)	13-100-010-3350-023	466	7/1/12	6/30/13	-	-	445	(466)	-	-	(21)	-	-	466			
Total Enterprise Fund																	
Total State Financial Assistance																	
											\$ -	\$ 2,292,592	\$ (2,292,592)	\$ -	\$ -	\$ 21	\$ 2,292,592

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2013

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Trustees, Thomas Edison EnergySmart Charter School. The Board of Trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2013

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	2,292,117	\$ 2,292,117
Special Revenue Fund	501,409	-	501,409
Food Service Fund	10,485	466	10,951
Total Awards & Financial Assistance	<u>\$ 511,894</u>	<u>\$ 2,292,583</u>	<u>\$ 2,804,477</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Thomas Edison EnergySmart Charter School has no loan balances outstanding at June 30, 2013.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to the Schedules of Expenditures

Of Awards and Financial Assistance

June 30, 2013

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2013. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2013.

NOTE 7. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. This being the first year of operations for the charter school, there were no such schoolwide programs.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None <u> X </u> Reported
Noncompliance material to basic financial statements noted?	_____ Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	<u> X </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None <u> X </u> Reported
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	_____ Yes	<u> X </u> No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
_____ 84.389 _____	_____ ARRA - Title I Part _____
_____	_____
_____	_____
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section II – Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

Finding

There were no matters reported.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

***Section III – Federal Awards and State Financial Assistance
Findings and Questioned Costs***

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
And Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2013

STATUS OF PRIOR YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

Findings

This being the first year of operations for the charter school, there are no matters to report.