

***THOMAS EDISON ENERGYSMART CHARTER SCHOOL***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2018***

***THOMAS EDISON ENERGYSMART CHARTER SCHOOL***

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

***Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2018***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

***Prepared by***

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

***And***

***Barre & Company LLC, CPAs***

**STATE BOARD OF EDUCATION**

ARCELIO APONTE.....Middlesex  
President

KATHY A. GOLDENBERG.....Burlington  
Vice President

MARY BETH BERRY.....Hunterdon

ELAINE BOBROVE.....Camden

FATIMAH BURNAM-WATKINS.....Union

RONALD K. BUTCHER.....Gloucester

JACK FORNARO.....Warren

MARY ELIZABETH GAZI.....Somerset

EDITHE FULTON.....Ocean

NEDD JAMES JOHNSON, ED.D.....Salem

ERNEST P. LEPORE.....Hudson

ANDREW J. MULVIHILL.....Sussex

JOSEPH RICCA, JR., ED D.....Morris

SYLVIA SYLVIA-CIOFFI.....Monmouth

**Dr. Lamont Repollet, Commissioner of Education**

Secretary, State Board of Education

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

	<b>Page</b>
<b>INTRODUCTORY SECTION .....</b>	<b>1</b>
Letter of Transmittal .....	2
Organizational Chart .....	6
Roster of Officials.....	7
Consultants and Advisors.....	8
<b>FINANCIAL SECTION.....</b>	<b>9</b>
Independent Auditor's Report.....	10
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART I.....</b>	<b>13</b>
Management’s Discussion and Analysis.....	14
<b>BASIC FINANCIAL STATEMENTS.....</b>	<b>20</b>
<b>SECTION A – CHATER SCHOOL-WIDE FINANCIAL STATEMENTS.....</b>	<b>21</b>
A-1    Statement of Net Position .....	22
A-2    Statement of Activities .....	23
<b>SECTION B – FUND FINANCIAL STATEMENTS.....</b>	<b>24</b>
<b>GOVERNMENTAL FUNDS .....</b>	<b>25</b>
B-1    Balance Sheet .....	26
B-2    Statement of Revenues, Expenditures and Changes in Fund Balance .....	27
B-3    Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
<b>PROPRIETARY FUNDS.....</b>	<b>29</b>
B-4    Statement of Fund Net Position .....	30
B-5    Statement of Revenues, Expenses, and Changes in Net Position .....	31
B-6    Statement of Cash Flows.....	32
<b>FIDUCIARY FUNDS.....</b>	<b>33</b>
B-7    Statement of Fiduciary Net Position .....	34
B-8    Statement of Changes in Fiduciary Net Position .....	35
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>36</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART II.....</b>	<b>72</b>

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

	<b>Page</b>
<b>SECTION C – BUDGETARY COMPARISON SCHEDULES</b> .....	<b>73</b>
C-1 Budgetary Comparison Schedule – General Fund.....	74
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual .....	N/A
C-1b Community Development Block Grant - Budget to Actual.....	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund.....	76
<b>NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION</b> .....	<b>77</b>
C-3 Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation .....	78
<b>REQUIRED SUPPLEMENTARY INFORMATION – PART III</b> .....	<b>79</b>
<b>SCHEDULE L - SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)</b> .....	<b>80</b>
L-1 Schedules of the District's Proportionate Share of the Net Pension Liability - PERS.....	81
L-2 Schedules of District Contributions - PERS .....	82
L-3 Schedules of the District's Proportionate Share of the Net Pension Liability - TPAF .....	83
<b>SECTION M – SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)</b> .....	<b>N/A</b>
M-1 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF .....	N/A
<b>OTHER SUPPLEMENTARY INFORMATION</b> .....	<b>84</b>
<b>SECTION E – SPECIAL REVENUE FUND</b> .....	<b>85</b>
E-1 Combining Schedule of Revenues and Expenditures – Budgetary Basis.....	86
<b>SECTION G – PROPRIETARY FUNDS</b> .....	<b>87</b>
<b>SECTION H – FIDUCIARY FUNDS</b> .....	<b>88</b>
H-1 Combining Statement of Fiduciary Net Position.....	89
H-2 Statement of Changes in Fiduciary Net Position .....	90
H-3 Student Activity Fund – Schedule of Receipts and Disbursements .....	91
H-4 Payroll Agency Fund – Schedule of Receipts and Disbursements.....	92

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

	<b>Page</b>
<b>STATISTICAL SECTION (UNAUDITED).....</b>	<b>93</b>
<b>INTRODUCTION TO THE STATISTICAL SECTION.....</b>	<b>94</b>
<b>FINANCIAL TRENDS.....</b>	<b>95</b>
J-1    Net Assets/Position by Component.....	96
J-2    Changes in Net Assets/Position.....	97
J-3    Fund Balances-Governmental Funds.....	98
J-4    Changes in Fund Balances, Governmental Funds.....	99
J-5    General Fund Other Local Revenue by Source (NJ).....	100
<b>OPERATING INFORMATION .....</b>	<b>101</b>
J-16   Full-time Equivalent Charter School Employees by Function/Program .....	102
J-17   Operating Statistics.....	103
J-18   School Building Information .....	104
J-20   Insurance Schedule (NJ) .....	105
J-21   Charter School Performance Framework, Financial Performance, Fiscal Ratios .....	106
<b>SINGLE AUDIT SECTION.....</b>	<b>107</b>
K-1    Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statement Performed In Accordance With Government Auditing Standards .....	108
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 OMB Circular A-133 and New Jersey OMB Circular Letter 04-04 .....	110
K-3    Schedule of Expenditures of Federal Awards – Schedule A .....	113
K-4    Schedule of Awards of State Financial Assistance – Schedule B .....	114
K-5    Notes to Schedules of Expenditures of Awards and Financial Assistance .....	115
K-6    Schedule of Findings and Questioned Costs .....	118
K-7    Summary Schedule of Prior Year Audit Findings and Questioned Costs as Prepared by Management .....	119
K-8    Summary Schedule of Prior Audit Findings.....	120

***INTRODUCTORY SECTION***





150 Pierce St., 2<sup>nd</sup> Floor  
Somerset, NJ 08873  
Ph: (732) 412-7643  
Fax: (732) 412-7645  
Email: [info@energysmartschool.org](mailto:info@energysmartschool.org)

February 13, 2019

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

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of Thomas Edison EnergySmart Charter School (Charter School) for the fiscal year ended June 30, 2018 is hereby submitted. 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 basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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 Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08, *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 12<sup>th</sup> Grade.

For the 2017-2018 school year, Thomas Edison EnergySmart Charter School provided a full range of services appropriate to Grades Kindergarten thru 9. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2017-2018 school year with an enrollment of 476 students. The following details the student enrollment of the Charter School.

### Average Daily Enrollment (ADE)

<u>Fiscal Year</u>	<u>Actual Student Enrollment</u>	<u>Percent Change - ADE</u>
2017-2018	476	10.71%
2016-2017	426	26.45%
2015-2016	337	14.51%
2014-2015	294	16.28%
2013-2014	252	21.35%

**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. Teacher's 21<sup>st</sup> century skills and technology to

## **MISSION AND GOALS (CONTINUED)**

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, 2018.

**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, LLC, 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 contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB's Circular 15-08, *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.

Our responsibility is to express an opinion on compliance for each of the Charter School's major 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 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

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 Charter School 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,



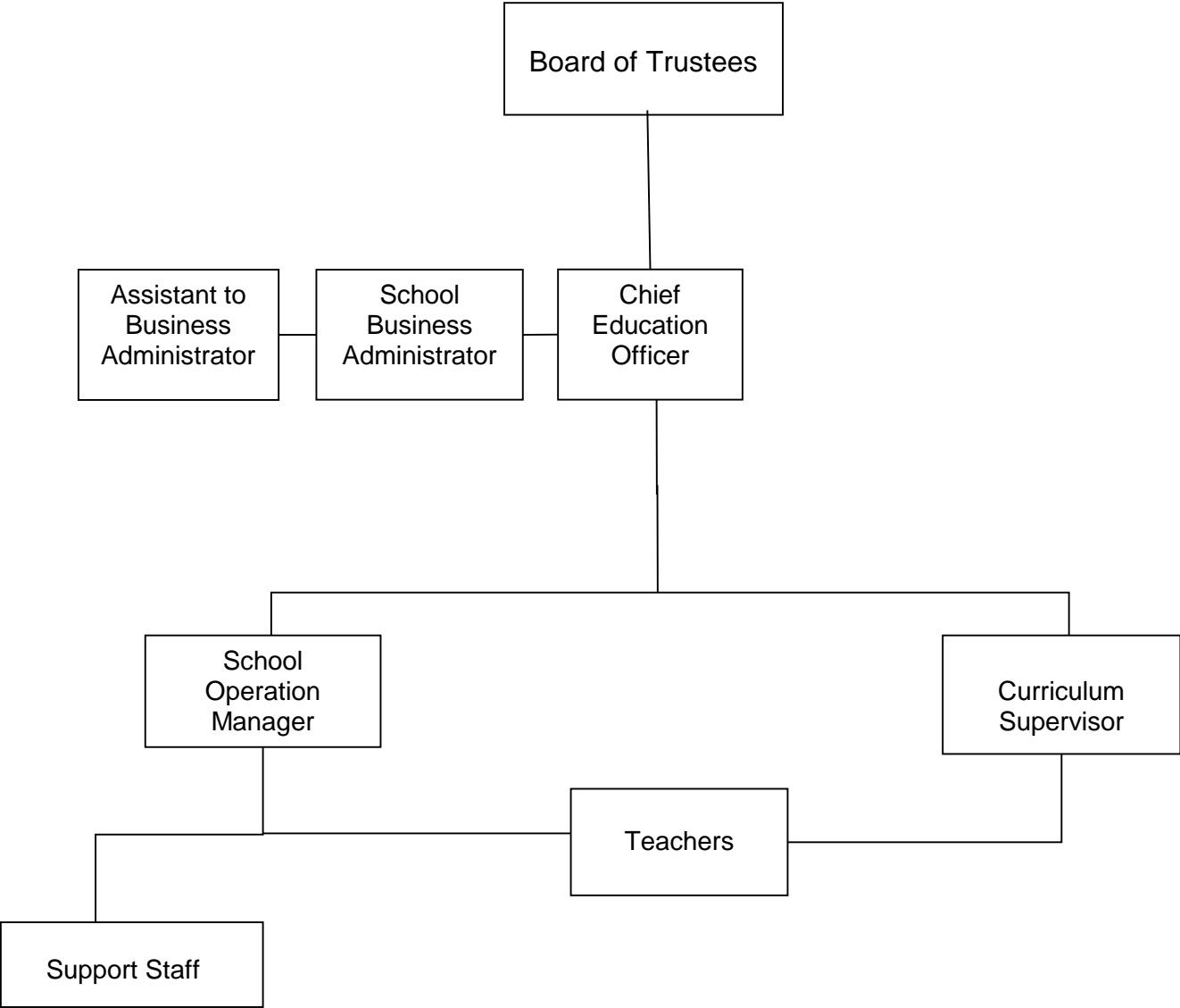
Oguz Yildiz  
School Lead Person



Ilgar Sadigov  
Business Administrator

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

ORGANIZATIONAL CHART



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2018**

**MEMBERS OF THE BOARD OF TRUSTEES**

**POSITION**

Raif Rustamov

President

Keshaw Sahay

Vice President

Stephen Alexis

Trustee

Ashok Munisamy

Trustee

Mehmet Eke

Trustee

Raquel Neri

Trustee

**OTHER OFFICIALS**

Oguz Yildiz

Lead Person

Ilgar Sadigov

Board Secretary/  
Business Administrator

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company, LLC  
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***

Unity Bank  
64 Old Highway 22  
Clinton, NJ 08809

***FINANCIAL SECTION***



**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*  
*Union, New Jersey 07083*  
*(908) 686-3484*  
*FAX – (908) 686-6055*  
*www.cpa-bc.com ♦ info@cpa-bc.com*

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2018, 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, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School, in the County of Somerset, State of New Jersey, as of June 30, 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 8 to the basic financial statements, the Charter School implemented Governmental Accounting Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-3, and M-1, and the related notes be presented to supplement the basic financial statements and budgetary comparison information in Exhibits C-1 through C-3. 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 fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, 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* and the *Division of Finance, Department of Education, State of New Jersey***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, 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* and the *Division of Finance, Department of Education, State of New Jersey*, in considering the Charter School's internal control over financial reporting and compliance.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
PSA Number CS-01181

Union, New Jersey  
February 13, 2019

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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, 2018. 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. Certain comparative information between the current year (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2018 are as follows:

- ❖ General revenues accounted for \$6,315,970 in revenue or 95% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$356,506 or 5% of total revenues of \$6,672,476.
- ❖ The Charter School had \$6,862,345 in expenses; only \$356,506 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$6,315,970 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$5,697,874 in revenues and \$5,511,186 in expenditures. The General Fund's fund balance increased \$186,688. 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.

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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED**

**(CONTINUED)**

**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 2018?" 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.
- ❖ 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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED**

**(CONTINUED)**

**Governmental Funds (Continued)**

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 36 of this report.

**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 \$915,996 for 2018 and \$1,105,866 for 2017.

**Governmental Activities**

The Charter School's total revenues were \$6,315,970 for the year ended June 30, 2018 and \$5,108,283 for the year ended June 30, 2017. This includes \$441,878 for 2018 and \$214,845 for 2017 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$6,501,965 for 2018 and \$5,718,648 for 2017. Instruction comprises \$2,311,840 for 2018 and \$2,387,217 for 2017 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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
UNAUDITED**

**(CONTINUED)**

**Governmental Activities (Continued)**

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.

**Business-Type Activity**

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

**FOOD SERVICE**

- ❖ Revenues exceeded expenses by \$6,815 for 2018 while expenses exceeded revenues by \$3,142 for 2017.
- ❖ Charges for services represent \$83,731 for 2018 and \$56,316 for 2017. 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 \$38,903 for 2018 and \$25,823 for 2017.

**AFTER CARE**

- ❖ Expenses exceeded revenues by \$10,689 for 2018 while revenues exceeded expenses by \$34,604 for 2017.
- ❖ Charges for services represent \$233,872 for 2018 and \$168,550 for 2017 of revenue. This represents amounts paid by parents for after-care services.

**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 \$5,833,323 for 2018 and \$5,108,283 for 2017; and expenditures were \$5,646,635 for 2018 and \$6,642,154 for 2017. The net change in fund balance for the year was most significant in the general fund, an increase of \$186,688 in 2018 after a decrease of \$1,087,558 in 2017.



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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, 2018, and the amounts and percentages of increases and decreases in relation to prior year amounts.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Local Sources	\$ 4,647,895	79.68%	\$ 487,850	11.73%
State Sources	1,049,979	18.00%	50,499	5.05%
Federal Sources	135,449	2.32%	51,017	60.42%
<b>Total</b>	<b>\$ 5,833,323</b>	<b>100.00%</b>	<b>\$ 589,366</b>	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2018, and the amounts and percentages of increases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Instruction	\$ 1,989,011	36.04%	\$ (246,972)	-11.05%
Administration	1,515,576	27.46%	236,655	18.50%
Support Services	2,014,116	36.50%	171,667	9.32%
Capital Outlay	-	0.00%	(974,162)	-100.00%
<b>Total</b>	<b>\$ 5,518,703</b>	<b>100.00%</b>	<b>\$ (812,812)</b>	

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  
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018  
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 \$850,845 invested in capital assets at the end of the fiscal year 2018 and \$923,506 at the end of fiscal year 2017.

**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, School Lead Person at Thomas Edison EnergySmart Charter School, 150 Pierce Street, Somerset, New Jersey, 08873. Please visit their website at [energysmartschool.org](http://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, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 110,637	\$ 84,373	\$ 195,010
Interfund Receivables	38,908		38,908
Receivables	557,186	2,680	559,866
Prepaid Expenses	67,300		67,300
Capital Assets, Net	850,845		850,845
<b>Total Assets</b>	<b>1,624,876</b>	<b>87,053</b>	<b>1,711,929</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pensions	1,471,316		1,471,316
<b>Total Deferred Outflows of Resources</b>	<b>1,471,316</b>		<b>1,471,316</b>
<b>LIABILITIES:</b>			
Interfund Payable	17,423		17,423
Payable to District	3,266		3,266
Accounts Payable	29,009		29,009
Noncurrent Liabilities:			
Net Pension Liability	1,768,759		1,768,759
<b>Total Liabilities</b>	<b>1,818,457</b>	<b>-</b>	<b>49,698</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pensions	448,792		448,792
<b>Total Deferred Inflows of Resources</b>	<b>448,792</b>		<b>448,792</b>
<b>NET POSITIONS:</b>			
Invested in Capital Assets, Net of Related Debt	850,845		850,845
Unassigned	(21,902)	87,053	65,151
<b>Total Net Position</b>	<b>\$ 828,943</b>	<b>\$ 87,053</b>	<b>\$ 915,996</b>

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, 2018

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
<b>GOVERNMENTAL ACTIVITIES:</b>							
Instruction	\$ 1,989,011	\$ 322,829	\$ -	\$ -	\$ -	\$ (2,311,840)	\$ (2,311,840)
Administration	1,893,357	86,412				(1,979,769)	(1,979,769)
Support Services	2,014,116	123,579				(2,137,695)	(2,137,695)
Unallocated Depreciation	72,661					(72,661)	(72,661)
Total Governmental Activities	5,969,145	532,820	-	-	-	(6,501,965)	(6,501,965)
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Food Service and After Care	360,380		317,603	38,903		(3,874)	(3,874)
Total Business-Type Activities	360,380		317,603	38,903	-	(3,874)	(3,874)
Total Primary Government	6,329,525		317,603	38,903	-	(6,501,965)	(6,505,859)
<b>GENERAL REVENUES</b>							
General Purposes						4,636,573	4,636,573
Federal and State Aid Not Restricted						1,668,075	1,668,075
Investment Earnings						-	-
Tuition						11,322	11,322
Miscellaneous Income						-	-
Transfers						-	-
Total General Revenues						6,315,970	6,315,970
Change in Net Position						(185,995)	(189,869)
Net Position - Beginning of Year						1,014,938	1,105,865
Net Position - Ending						\$ 828,943	\$ 915,996

**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, 2018

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 86,265	\$ 24,372	\$ 110,637
Interfund Receivables	38,908		38,908
Receivables from Other Governments	557,186		557,186
Security Deposit	67,300		67,300
<b>Total Assets</b>	<b>\$ 749,659</b>	<b>\$ 24,372</b>	<b>\$ 774,031</b>
 <b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Interfund Payables	\$ -	\$ 17,423	\$ 17,423
Payables to District	3,266		3,266
Accounts Payable	22,060	6,949	29,009
<b>Total Liabilities</b>	<b>25,326</b>	<b>24,372</b>	<b>49,698</b>
Fund Balances:			
Unassigned:			
General Fund	724,333		724,333
<b>Total Fund Balances</b>	<b>724,333</b>	<b>-</b>	<b>724,333</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 749,659</b>	<b>\$ 24,372</b>	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$959,836 and the accumulated depreciation is \$108,991.	850,845
Net pension liability of \$1,768,759, deferred inflows of resources of \$448,792, less deferred outflows of resources of \$1,471,316 related to pensions are not reported in the governmental funds	(746,235)
<b>Net Position of Governmental Activities</b>	<b>\$ 828,943</b>

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, 2018

	General Fund	Special Revenue Fund	Total
<b>REVENUES:</b>			
Local Sources:			
Local Tax Levy	\$ 4,636,573	\$ -	\$ 4,636,573
Interest on Investments			-
Miscellaneous	11,322		11,322
<b>Total Local Sources</b>	<b>4,647,895</b>	<b>-</b>	<b>4,647,895</b>
State Sources	1,049,979		1,049,979
Federal Sources		135,449	135,449
<b>Total Revenues</b>	<b>5,697,874</b>	<b>135,449</b>	<b>5,833,323</b>
<b>EXPENDITURES:</b>			
Current:			
Instruction	1,910,776	78,235	1,989,011
Administration	1,643,508		1,643,508
Support Services	1,956,902	57,214	2,014,116
<b>Total Expenditures</b>	<b>5,511,186</b>	<b>135,449</b>	<b>5,646,635</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>186,688</b>	<b>-</b>	<b>186,688</b>
<b>FUND BALANCES, JULY 1</b>	<b>537,645</b>	<b>-</b>	<b>537,645</b>
<b>FUND BALANCES, JUNE 30</b>	<b>\$ 724,333</b>	<b>\$ -</b>	<b>\$ 724,333</b>

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, 2018

Total net change in fund balances - governmental funds (B-2)	\$	186,688
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense in the current fiscal year.</p>		
Capital Asset Addition		
Depreciation Expense	(72,661)	(72,661)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized</p>		
		<u>(300,022)</u>
Change in net position of governmental activities	\$	<u>(185,995)</u>

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, 2018

	Business-Type Activities Enterprise Funds		
	Food Service	After Care	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 18,012	\$ 66,361	\$ 84,373
Intergovernmental Accounts Receivable:			
Federal	2,570		2,570
State	110		110
Total Current Assets	<u>20,692</u>	<u>66,361</u>	<u>87,053</u>
Total Assets	<u>\$ 20,692</u>	<u>\$ 66,361</u>	<u>\$ 87,053</u>
Net Position:			
Unassigned	<u>20,692</u>	<u>66,361</u>	<u>87,053</u>
Total Net Position	<u>20,692</u>	<u>66,361</u>	<u>87,053</u>
Total Liabilities and Net Position	<u>\$ 20,692</u>	<u>\$ 66,361</u>	<u>\$ 87,053</u>

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, 2018

	Business-Type Activities Enterprise Fund		
	Food Service	After Care	Total
OPERATING REVENUES:			
Charges for Services:			
Daily Sales Non-reimbursable Program	\$ 82,601	\$ 233,872	\$ 316,473
Miscellaneous Revenue	1,130		1,130
Total Operating Revenues	<u>83,731</u>	<u>233,872</u>	<u>317,603</u>
OPERATING EXPENSES:			
Salaries	30,209	213,884	244,093
Management Fees	8,000		8,000
Supplies and Materials	10,991	30,677	41,668
Cost of Sales	61,951		61,951
Miscellaneous Expenses	4,668		4,668
Total Operating Expenses	<u>115,819</u>	<u>244,561</u>	<u>360,380</u>
OPERATING INCOME (LOSS)	<u>(32,088)</u>	<u>(10,689)</u>	<u>(42,777)</u>
NONOPERATING REVENUES:			
Interest Earned			-
State Source:			
State School Lunch Program	1,444		1,444
Federal Source:			
National School Breakfast Program	3,932		3,932
National School Lunch Program	33,527		33,527
Total Nonoperating Revenues	<u>38,903</u>	<u>-</u>	<u>38,903</u>
CHANGE IN NET POSITION	6,815	(10,689)	(3,874)
TOTAL NET POSITION, JULY 1	<u>13,877</u>	<u>77,050</u>	<u>90,927</u>
TOTAL NET POSITION, JUNE 30	<u>\$ 20,692</u>	<u>\$ 66,361</u>	<u>\$ 87,053</u>

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, 2018  
(Initial Year)

	Business-Type Activities Enterprise Fund		
	Food Service	After Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 82,224	\$ 233,872	\$ 316,096
Cash Payments to Suppliers and Employees	(119,405)	(250,177)	(369,582)
Net Cash Provided By (Used In) Operating Activities	<u>(37,181)</u>	<u>(16,305)</u>	<u>(53,486)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash Received From State And Federal Reimbursements	38,903		38,903
Net Cash Provided By Noncapital Financing Activities	<u>38,903</u>	-	<u>38,903</u>
Net Increase (Decrease) In Cash And Cash Equivalents	1,722	(16,305)	(14,583)
Net Transfers to Other Enterprise Operations	(1,773)	2,903	1,130
Cash And Cash Equivalents, Beginning Of Year	<u>18,063</u>	<u>79,763</u>	<u>97,826</u>
Cash And Cash Equivalents, End Of Year	<u>\$ 18,012</u>	<u>\$ 66,361</u>	<u>\$ 84,373</u>
<b>Reconciliation of Operating Loss to Net Cash Provided By (Used in) Operating Activities:</b>			
Operating Income (Loss) Used in Operating Activities	(33,218)	\$ (10,689)	\$ (43,907)
Increase in Receivables From Other Governments	(377)		(377)
Increase (Decrease) In Interfund Payable	(100)	(5,616)	(5,716)
Decrease In Accounts Payable	<u>(3,486)</u>		<u>(3,486)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (37,181)</u>	<u>\$ (16,305)</u>	<u>\$ (53,486)</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, 2018

	<u>Unemployment Compensation Insurance</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 26,938	\$ 26,195
Total Assets	<u>26,938</u>	<u>\$ 26,195</u>
<b>LIABILITIES:</b>		
Interfund Accounts Payable		\$ 21,485
Due to Student Groups		<u>4,710</u>
Total Liabilities	<u>-</u>	<u>\$ 26,195</u>
<b>NET POSITION:</b>		
Reserved for Encumbrances		
Reserved for Unemployment Claims	25,320	
Unreserved	<u>1,618</u>	
Total Net Position	<u>\$ 26,938</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, 2018

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	\$ 6,174
Interest Income	<u>233</u>
Total Additions	<u>6,407</u>
DEDUCTIONS:	
Total Deductions	<u>-</u>
CHANGE IN NET POSITION	6,407
NET POSITION - BEGINNING OF THE YEAR	<u>20,531</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 26,938</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, 2018

### 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.

#### 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.

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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

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 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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

General Fund (Continued)

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.

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 and After Care) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Charter School's Food Service operations, and After School Care services. These funds are 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.

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.

**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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting – Measurement Focus (Continued)**

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.

**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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

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.

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

	2018	2017
Total Revenues & Expenditures (Budgetary Basis)	\$ 135,449	\$ 234,432
Adjustments:		
Less Encumbrances at June 30, 2018	-	-
Plus Encumbrances at June 30, 2017	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 135,449	\$ 234,432

**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.



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrances Accounting (Continued)**

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. 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 capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Capital Assets (Continued)

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

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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

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.

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.

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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Allocation of Indirect Expenses (Continued)

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.

**G. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. IMPACT OF RECENTLY ISSUED ACCOUNTING POLICIES**

Adopted Accounting Pronouncements

For the year ended June 30, 2017, the Charter School implemented GASB Statement No. 72, *Fair Value Measurement and Application*. As a result of implementing this statement, the Charter School is required to measure certain investments at fair value for financial reporting purposes. In addition, the Charter School is required to measure donated capital assets at acquisition value (an entry price); these assets were previously required to be measured at fair value. Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Implementation of this Statement did not impact the Charter School's financial statements.

The Charter School implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Implementation of this Statement did not impact the Charter School's financial statements.

The Charter School implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Implementation of this Statement did not impact the Charter School's financial statements.

Recently Issued and Adopted Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Policies (Continued)**

ended June 30, 2018. Management does not expect this Statement to impact the Charter School's financial statements. Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, 68 and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within The Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement will be effective for the year ended June 15, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ended December 15, 2018. Management does not expect this Statement to impact the Charter School's financial statements.

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Impact of Recently Issued Accounting Policies (Continued)**

based on the payment provisions of the contract. This Statement will be effective for the year ended December 15, 2019. Management has not yet evaluated the impact of this Statement on the Charter School's financial statements.

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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, 2018

**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.
- d. The Charter School had no investments as of June 30, 2018. Cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 110,637	\$ 24,372	\$ 84,373	\$ 53,133	\$ 272,515

- e. The carrying amount of the Board's cash and cash equivalents at June 30, 2018 was \$272,515 and the bank balance was \$454,472. 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.



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

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

**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, 2018, 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.

**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, 2018, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2018, 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	\$ 557,186	\$ 557,296
Federal Aid	-	2,570
Other	-	-
Gross Receivables	557,186	559,866
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 557,186	\$ 559,866

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**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, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 38,908	\$ -
Special Revenue Fund		17,423
Fiduciary Fund		21,485
Total	<u>\$ 38,908</u>	<u>\$ 38,908</u>

**NOTE 5: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Site Improvements	\$ 894,800	\$ -	\$ -	\$ 894,800
Machinery and Equipment	65,036	-	-	65,036
Totals at Historical Cost	959,836	-	-	959,836
Less Accumulated Depreciation For:				
Site Improvements	29,826	59,654	-	89,480
Machinery and Equipment	6,504	13,007	-	19,511
Total Accumulated Depreciation	36,330	72,661	-	108,991
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	923,506	(72,661)	-	850,845
Government Activity Capital Assets, Net	\$ 923,506	\$ (72,661)	\$ -	\$ 850,845

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 \$72,661 was charged to an unallocated function.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 6: RENTAL LEASES**

By way of Lease Agreement dated April 23, 2015, the Charter School leased new space for their school operations at a new building located at 150 Pierce Street, Somerset, NJ. Term of the lease is for five (5) years with successive options to renew. The rental payments amounted to \$942,000 for the year ended June 30, 2018. Future minimum lease payments are as follows:

Fiscal Year	Amount
2019	900,000
2020	900,000
2020	900,000
Total minimum lease payments	\$ 2,700,000

**NOTE 7: PENSION PLANS**

Substantially all the Board's employees participate in one of the two contributory, defined benefit public employee systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

**A. Public Employees' Retirement System (PERS)**

**Plan Description**

The State of New Jersey, Public Employees; Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefits Provided**

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

**Benefits Provided (Continued)**

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**Basis of Presentation**

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2015 through June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Allocation Methodology and Reconciliation to Financial Statements (Continued)**

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$70,390 for fiscal year 2016.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Pension Liabilities Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2018, the Charter School reported a liability of \$1,768,759 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, which was rolled forward to June 30, 2017. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Charter School's proportion was 0.00759829% which was an increase of 0.00309112% from its proportion measured as of June 30, 2016. For the fiscal year ended June 30, 2018, the Charter School recognized pension expense of \$40,041. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 356,344	\$ 355,038
Changes in Proportion	1,030,931	93,754
Difference between Expected and Actual Experience	41,648	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	12,044	
	\$ 1,440,967	\$ 448,792

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2017, 2016, 2015 and 2014 amounts, respectively.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Changes in Proportion (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ 41,638
2019	62,833
2020	38,074
2021	(50,638)
2022	(36,908)
	\$ 54,999

**Actuarial Assumptions**

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuations as of July 1, 2014. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employees Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are setback 2 years for males and females and in addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Health Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for the future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disable retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

# THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2018

## NOTE 7: PENSION PLANS (CONTINUED)

### Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 01, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

### Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58 as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040; therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2017, calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2017			
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
CS / District's proportionate share of the Net Pension Liability	\$ 2,194,266	\$ 1,768,759	\$ 1,414,260

Fiscal Year Ended June 30, 2016			
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
CS / District's proportionate share of the Net Pension Liability	\$ 2,757,595	\$ 2,250,394	\$ 1,831,656

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**B. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

**Benefit Provided**

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

<b>Tier</b>	<b>Descriptions</b>
<b>1</b>	Members who were enrolled prior to July 1, 2007
<b>2</b>	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
<b>3</b>	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
<b>4</b>	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
<b>5</b>	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Allocation Methodology**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

**Contributions**

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

**Special Funding Situation**

The Employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the Charter School.

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2018, the State of New Jersey contributed \$18,631 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$120,828

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

As June 30, 2017, the State's proportionate share of the net pension liability associated with the Charter School was \$7,254,944

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Charter School's proportion was 0.0107602%, which was an increase of 0.0021687% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the Charter School in the amount of \$120,828 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 13,378,255,364	\$ 11,684,858,458
Difference Between Expected and Actual Experience	441,116,389	115,381,203
Changes in Proportion and differences between employer contributions and proportionate share of contributions	192,581,778	192,581,778
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	341,507,504	
	\$ 14,353,461,035	\$ 11,992,821,439

The \$14,353,461,035 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$11,992,821,439 reported as deferred inflow of resources resulted from the difference between projected and actual.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

**Actuarial Assumptions**

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Pre-retirement, post-retirement and disable mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

Notes to Basic Financial Statements

June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% as of June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2017 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**Discount Rate – TPAF**

The discount rate used to measure the total pension liability was (4.25%) as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58 as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rates in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2016, calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2017			
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
CS / District's proportionate share of the Net Pension Liability	\$ 8,650,625	\$ 7,281,479	\$ 6,153,570
Fiscal Year Ended June 30, 2016			
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
CS / District's proportionate share of the Net Pension Liability	\$ 10,155,321	\$ 8,503,702	\$ 7,154,942

**Pension Plan Fiduciary Net Position – TPAF**

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 7: PENSION PLANS (CONTINUED)**

**C. Defined Contribution Retirement Program (DCRP)**

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey 08625-0295.

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

For DCRP, the Charter School did not recognize any pension expense for the fiscal year ended June 30, 2018. There were no employee contributions to DCRP for the fiscal year ended June 30, 2018.

**NOTE 8: POST-RETIREMENT BENEFITS**

**GENERAL INFORMATION ABOUT THE OPEB PLAN**

**Plan Description and Benefits Provided**

The school is in a "special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

**General Information About the OPEB Plan (Continued)**

Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011 , future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

**Employees covered by benefit terms:**

At June 30, 2018, the following employees were covered by the benefit terms:

**TPAF participant retirees:**

As of June 30, 2018, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

**PERS participant retirees:**

The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

**Total Nonemployer OPEB Liability**

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

**General Information About the OPEB Plan (Continued)**

**Actuarial Assumptions and Other Inputs**

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.50%			
		<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases				
Through 2026		1.55% to 4.55%	2.15% to 4.15%	2.10% to 8.98%
		based on years of service	based on age	based on age
Rate thereafter		2.00% to 5.45%	3.15% to 5.15%	3.15% to 9.98%
		based on years of service	based on age	based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014

Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

**Health Care Trend Assumptions**

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

**General Information About the OPEB Plan (Continued)**

**Discount rate**

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Changes in the State's Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Service cost	2,391,878,884
Interest on Total OPEB Liability	1,699,441,736
Effect of Changes of Assumptions	(7,086,599,129)
Contributions - Employee	45,748,749
Gross Benefits Paid by the State	(1,242,412,566)
Net Changes	(4,191,942,326)
Balance at June 30, 2017	53,639,841,858

**Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate:**

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year Ended June 30, 2017		
	At 1% Decrease (2.58%)	At current discount rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability	\$ 63,674,362,200	\$ 53,639,841,858

	Fiscal Year Ended June 30, 2016		
	At 1% Decrease (1.58%)	At current discount rate (2.58%)	At 1% Increase (3.58%)
	Total OPEB Liability	\$ 69,383,705,084	\$ 57,831,784,184

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

**General Information About the OPEB Plan (Continued)**

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1- percentage point higher than the current rate:

	<b>Fiscal Year Ended June 30, 2017</b>		
	At 1% decrease	Trend Rate	At 1% Increase
Total OPEB Liability	\$ 44,113,584,560	\$ 53,639,841,858	\$ 66,290,599,457

	<b>Fiscal Year Ended June 30, 2016</b>		
	At 1% decrease	Trend Rate	At 1% Increase
Total OPEB Liability	\$ 47,452,589,164	\$ 57,831,784,184	\$ 71,707,778,970

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2018 the Charter School recognized OPEB expense of \$482,647 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Difference between Actual and Expected Experience	\$ -	\$ -
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	-	(6,343,769,032)
Sub Total	-	(6,343,769,032)
Contributions Made in Fiscal Year 2018 after June 30, 2017 Measurement Date	1,190,373,242	N/A
Total	1,190,373,242	(6,343,769,032)

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)**

**General Information About the OPEB Plan (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related OPEB will be recognized in OPEB expense as follows:

Fiscal Year ending June 30			
2018	\$	742,830,097	
2019	\$	742,830,097	
2020	\$	742,830,097	
2021	\$	742,830,097	
2022	\$	742,830,097	
Total Thereafter	\$	<u>2,629,618,547</u>	
	\$	<u>6,343,769,032</u>	

**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.

**New Jersey Unemployment Compensation Insurance**

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The table is a summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust for the current and previous year:

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2018

**NOTE 9: RISK MANAGEMENT (CONTINUED)**

**New Jersey Unemployment Compensation Insurance (Continued)**

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017-2018	\$ -	\$ 6,174	\$ -	\$ 26,938
2016-2017	-	5,652	-	20,531
2015-2016	-	4,809	-	14,870

**NOTE 10: FUND BALANCE APPROPRIATED**

General Fund

Of the \$724,333 fund balance total in General Fund at June 30, 2018, \$0 is unreserved and undesignated.

**NOTE 11 SUBSEQUENT EVENTS**

The Thomas Edison EnergySmart Charter School's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit.

***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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Levy Budget:					
District Equalization - Charter School Aid	\$ 4,797,174	\$ (160,601)	\$ 4,636,573	\$ 4,636,573	\$ -
<b>Total Local Levy</b>	<b>4,797,174</b>	<b>(160,601)</b>	<b>4,636,573</b>	<b>4,636,573</b>	<b>-</b>
Categorical Aid:					
Equalization Aid	511,427	6,743	518,170	518,170	-
Special Education Aid	82,203	(31,735)	50,468	50,468	-
Categorical Security Aid	40,003	(540)	39,463	39,463	-
<b>Total Categorical Aid</b>	<b>633,633</b>	<b>(25,532)</b>	<b>608,101</b>	<b>608,101</b>	<b>-</b>
Revenues From Other Sources:					
Transportation Fees					
Interest Income				11,322	11,322
Miscellaneous Revenue				196,035	196,035
On-Behalf TPAF Pension Aid (Non-Budgeted)				126,614	126,614
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)				1,318	1,318
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)				117,911	117,911
Reimbursed TPAF Social Security Contributions (Non-Budgeted)					
<b>Total Revenues From Other Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>453,200</b>	<b>453,200</b>
<b>Total Revenues</b>	<b>5,430,807</b>	<b>(186,133)</b>	<b>5,244,674</b>	<b>5,697,874</b>	<b>453,200</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	1,805,950	(259,757)	1,546,193	1,500,990	45,203
Other Salaries for Instruction	76,200	16,000	92,200	92,150	50
Purchased Prof/Tech Services	60,000	(10,401)	49,599	37,706	11,893
Other Purchased Services	59,000	(16,357)	42,643	30,321	12,322
General Supplies	106,000	6,000	112,000	95,575	16,425
Textbooks	100,000	30,000	130,000	116,597	13,403
Miscellaneous	46,000		46,000	37,437	8,563
<b>Total Instruction</b>	<b>2,253,150</b>	<b>(234,515)</b>	<b>2,018,635</b>	<b>1,910,776</b>	<b>107,859</b>
Administration:					
Salaries - General Administration	262,473	31,737	294,210	294,210	-
Salaries of Secretarial/Clerical Assistants	130,193	2,788	132,981	132,228	753
Total Benefits Cost	630,397	202,299	832,696	696,084	136,612
Purchases Prof/Tech Services	52,600		52,600	29,023	23,577
Other Purchased Services	7,000		7,000	3,763	3,237
Communications/Telephone	19,000		19,000	17,519	1,481
Supplies and Materials	26,000		26,000	16,796	9,204
Miscellaneous Expenses	24,300	(2,211)	22,089	12,007	10,082
<b>Total Administration</b>	<b>1,151,963</b>	<b>234,613</b>	<b>1,386,576</b>	<b>1,201,630</b>	<b>184,946</b>

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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 553,603	\$ 74,578	\$ 628,181	\$ 609,853	\$ 18,328
Purchased Prof/Ed Services	106,000	7,154	113,154	83,145	30,009
Rental of Land and Buildings	937,500	4,500	942,000	942,000	-
Other Purchased Services	141,000	(10,643)	130,357	125,241	5,116
Transportation-Other Than To/From School	25,000		25,000	20,918	4,082
Insurance for Property, Liability and Fidelity	32,034	1,453	33,487	33,487	-
Supplies and Materials	51,000	18,183	69,183	54,185	14,998
Energy Costs (Heat and Electricity)	80,000	20,000	100,000	88,073	11,927
Total Support Services	1,926,137	115,225	2,041,362	1,956,902	84,460
Capital Outlay:					
Instructional Equipment					
Miscellaneous Expenses	50,000	(50,000)	-	-	-
Total Capital Outlay	50,000	(50,000)	-	-	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)				196,035	(196,035)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				126,614	(126,614)
On-Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				1,318	(1,318)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				117,911	(117,911)
Total Expenditures	5,381,250	65,323	5,446,573	5,511,186	(64,613)
Excess (Deficiency) of Revenues Over (Under) Expenditures	49,557	(251,456)	(201,899)	186,688	388,587
FUND BALANCE, JULY 1	537,645	-	537,645	537,645	-
FUND BALANCE, JUNE 30	\$ 587,202	\$ (251,456)	\$ 335,746	\$ 724,333	\$ 388,587
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 587,202	\$ (251,456)	\$ 335,746	\$ 724,333	\$ 388,587
Total	\$ 587,202	\$ (251,456)	\$ 335,746	\$ 724,333	\$ 388,587

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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 84,432	\$ 51,017	\$ 135,449	\$ 135,449	\$ -
Total Revenues	<u>84,432</u>	<u>51,017</u>	<u>135,449</u>	<u>135,449</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries	45,400	12,434	57,834	57,834	-
Total Instruction	<u>45,400</u>	<u>32,835</u>	<u>78,235</u>	<u>78,235</u>	<u>-</u>
Support Services:					
Salaries	21,609	10,438	32,047	32,047	-
Personal Services - Employee Benefits	17,423	7,744	25,167	25,167	-
Total Support Services	<u>39,032</u>	<u>18,182</u>	<u>57,214</u>	<u>57,214</u>	<u>-</u>
Total Expenditures	<u>84,432</u>	<u>51,017</u>	<u>135,449</u>	<u>135,449</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2018

**Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures**

	<u>General Fund</u>		<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources</b>			
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 5,697,874		[C-2] \$ 135,449
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized			-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>5,697,874</u>		[B-2] \$ <u>135,449</u>
 <b>Uses/Outflows of resources</b>			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 5,511,186		[C-2] \$ 135,449
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.			-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>5,511,186</u>		[B-2] \$ <u>135,449</u>

***REQUIRED SUPPLEMENTARY INFORMATION – PART III***

***SCHEDULE L – SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
PENSIONS (GASB 68)***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
**REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES**  
**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**LAST 2 FISCAL YEARS**  
**UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
Charter School's proportion of the net pension liability	0.00619008%	0.009506717%
Charter School's proportionate share of the net pension liability	\$ 1,183,048	\$ 1,779,917
Charter School's covered employees payroll	\$ 1,080,422	\$ 1,254,656
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	109%	142%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST 2 FISCAL YEARS  
UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
Contractually required contribution	\$ 46,641	\$ 78,372
Contributions in relation to the contractually required contribution	<u>(48,449)</u>	<u>(78,372)</u>
Contribution deficiency/(excess)	<u>\$ (1,808)</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 1,080,422	\$ 1,254,656
Contributions as a percentage of covered employee payroll	4.32%	6.25%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
 SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER'S PENSION AND ANNUITY FUND  
 LAST 2 FISCAL YEARS  
 UNAUDITED**

	Fiscal Year Ending June 30,	
	2014	2015
State's proportion of the net pension liability attributable of the Charter School	0.0129349%	0.01818952%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,537,215	\$ 9,721,704
CS / District's covered employees payroll	\$ 4,209,720	\$ 2,744,160
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	155.29%	354.27%
Plan fiduciary net position as a p ercentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

***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.*

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2018

	NCLB Title I	I.D.E.A. Part B	NCLB Title II Part A	NCLB Title IV	Grand Total
<b>REVENUE SOURCES:</b>					
State					-
Federal	\$ 52,524	\$ 62,524	\$ 10,401	\$ 10,000	\$ 135,449
<b>Total Revenues</b>	<b>52,524</b>	<b>62,524</b>	<b>10,401</b>	<b>10,000</b>	<b>135,449</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	41,034	16,800	7,401		57,834
Purchased Prof/Tech Services			3,000	10,000	7,401
General Supplies					13,000
<b>Total Instruction</b>	<b>41,034</b>	<b>16,800</b>	<b>10,401</b>	<b>10,000</b>	<b>78,235</b>
Support Services:					
Salaries		32,047			32,047
Personal Services - Employee Benefits	11,490	13,677			25,167
<b>Total Support Services</b>	<b>11,490</b>	<b>45,724</b>	<b>-</b>	<b>-</b>	<b>57,214</b>
<b>Total Expenditures</b>	<b>52,524</b>	<b>62,524</b>	<b>10,401</b>	<b>10,000</b>	<b>135,449</b>
<b>Total Outflows</b>	<b>52,524</b>	<b>62,524</b>	<b>10,401</b>	<b>10,000</b>	<b>135,449</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**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 Charter School’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 Charter School.*

**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 Charter School 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 Charter School.***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 As of June 30, 2018

	Trust	Agency				Total Agency Fund
	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	HRA	Student Activities	
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$ 26,938	\$ 6,447	\$ 38	15,000	\$ 4,710	\$ 26,195
<b>Total Assets</b>	<u>26,938</u>	<u>\$ 6,447</u>	<u>\$ 38</u>	<u>\$ 15,000</u>	<u>\$ 4,710</u>	<u>\$ 26,195</u>
<b>LIABILITIES:</b>						
Interfund Accounts Payable		\$ 6,447	\$ 38	15,000	\$ -	\$ 21,485
Due to Student Groups					4,710	4,710
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 6,447</u>	<u>\$ 38</u>	<u>\$ 15,000</u>	<u>\$ 4,710</u>	<u>\$ 26,195</u>
<b>NET POSITION:</b>						
Reserved for Unemployment Claims	<u>26,938</u>					
<b>Total Net Position</b>	<u>\$ 26,938</u>					



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

## Fiduciary Funds

## Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	\$ 6,174
Interest Income	<u>233</u>
Total Additions	<u>6,407</u>
DEDUCTIONS:	
Miscellaneous Expenses	<u>-</u>
Total Deductions	<u>-</u>
CHANGE IN NET POSITION	6,407
NET POSITION - BEGINNING OF THE YEAR	<u>20,531</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 26,938</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, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
School Activities	<u>\$ 10,048</u>	<u>\$ 27,030</u>	<u>\$ 32,368</u>	<u>\$ 4,710</u>
Total	<u><u>\$ 10,048</u></u>	<u><u>\$ 27,030</u></u>	<u><u>\$ 32,368</u></u>	<u><u>\$ 4,710</u></u>

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Additions</u>	<u>Cash</u> <u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 6,447	1,260,956	1,260,956	\$ 6,447
Total Assets	<u>\$ 6,447</u>	<u>\$ 1,260,956</u>	<u>\$ 1,260,956</u>	<u>\$ 6,447</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 6,447	1,267,114	1,267,114	\$ 6,447
Total Liabilities	<u>\$ 6,447</u>	<u>\$ 1,267,114</u>	<u>\$ 1,267,114</u>	<u>\$ 6,447</u>

**STATISTICAL SECTION (UNAUDITED)**

***Thomas Edison EnergySmart Charter School has been in operation for (6) six years. 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 (6) six years 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 Position by Component  
 Last Six Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,					
	2018	2017	2016	2015	2014	2013
Governmental Activities						
Net Investment in Capital Assets/ Invested in Capital Assets, Net of Related Debt Unrestricted	\$ 850,845 (21,902)	\$ 923,506 91,433	\$ - 1,625,304	\$ - 1,388,438	\$ - 1,245,555	\$ - 754,230
Total Governmental Activities Net Position	<u>\$ 828,943</u>	<u>\$ 1,014,939</u>	<u>\$ 1,625,304</u>	<u>\$ 1,388,438</u>	<u>\$ 1,245,555</u>	<u>\$ 754,230</u>
Business-Type Activities						
Unrestricted	\$ 87,053	\$ 90,927	\$ 59,470	\$ 64,993	53,237	11,812
Total Business-Type Activities Net Position	<u>\$ 87,053</u>	<u>\$ 90,927</u>	<u>\$ 59,470</u>	<u>\$ 64,993</u>	<u>\$ 53,237</u>	<u>\$ 11,812</u>
Charter School-wide						
Net Investment in Capital Assets/ Invested in Capital Assets, Net of Related Debt Unrestricted	\$ 850,845 65,151	\$ 923,506 182,360	\$ - 1,684,774	\$ - 1,453,431	\$ - 1,298,792	\$ - 766,042
Total Charter School-wide Net Position	<u>\$ 915,996</u>	<u>\$ 1,105,866</u>	<u>\$ 1,684,774</u>	<u>\$ 1,453,431</u>	<u>\$ 1,298,792</u>	<u>\$ 766,042</u>

**Source: Comprehensive Annual Financial Report**

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Changes in Net Position  
 Last Six Fiscal Years  
*(accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,					
	2018	2017	2016	2015	2014	2013
<b>Expenses</b>						
Governmental Activities:						
Instruction	\$ 2,311,840	\$ 2,387,217	\$ 1,867,532	\$ 1,641,953	\$ 1,292,254	\$ 1,152,807
Administration	1,979,769	888,203	744,866	475,208	372,854	338,790
Support Services	2,137,695	1,960,585	1,010,051	969,028	736,575	547,699
Capital Outlay	-	-	50,000	100,000	13,671	-
Unallocated	72,661	36,330	-	-	-	-
Total Governmental Activities Expenses	<u>6,501,965</u>	<u>5,272,335</u>	<u>3,672,449</u>	<u>3,186,189</u>	<u>2,415,354</u>	<u>2,039,296</u>
Business-Type Activities:						
Food Service and School Store	360,380	85,281	80,752	71,905	52,102	58,520
Total Business-Type Activities Expenses	<u>360,380</u>	<u>85,281</u>	<u>80,752</u>	<u>71,905</u>	<u>52,102</u>	<u>58,520</u>
Total Charter School Expenses	<u>\$ 6,862,345</u>	<u>\$ 5,357,616</u>	<u>\$ 3,753,201</u>	<u>\$ 3,258,094</u>	<u>\$ 2,467,456</u>	<u>\$ 2,097,816</u>
<b>Program Revenues</b>						
Business-Type Activities:						
Charges for Services	\$ 355,376	\$ 81,805	\$ 52,103	\$ 52,695	\$ 42,360	\$ 37,330
Total Business-Type Activities Expenses	<u>355,376</u>	<u>81,805</u>	<u>52,103</u>	<u>52,695</u>	<u>42,360</u>	<u>37,330</u>
Total Charter School Program Revenues	<u>\$ 355,376</u>	<u>\$ 81,805</u>	<u>\$ 52,103</u>	<u>\$ 52,695</u>	<u>\$ 42,360</u>	<u>\$ 37,330</u>
<b>Net (Expense)/Revenue</b>						
Governmental Activities	\$ (6,501,965)	\$ (5,272,335)	\$ (3,672,449)	\$ (3,186,189)	\$ (2,415,354)	\$ (2,039,296)
Business-Type Activities	(5,004)	(3,476)	(28,649)	(19,210)	(9,742)	(21,190)
Total Charter School-wide Net Expense	<u>\$ (6,506,969)</u>	<u>\$ (5,275,811)</u>	<u>\$ (3,701,098)</u>	<u>\$ (3,205,399)</u>	<u>\$ (2,425,096)</u>	<u>\$ (2,060,486)</u>
<b>General Revenues and Other Changes in Net Assets/Position</b>						
Governmental Activities:						
General Purposes	\$ 4,636,573	\$ 4,150,205	\$ -	\$ -	\$ -	\$ -
Federal and State Aid Not Restricted	1,668,075	948,238	710,818	468,867	443,808	872,898
Investment Earnings	-	545	-	-	-	-
Miscellaneous Income	11,322	9,295	3,198,497	2,860,205	2,462,871	1,920,628
Total Governmental Activities	<u>6,315,970</u>	<u>5,108,283</u>	<u>3,909,315</u>	<u>3,329,072</u>	<u>2,906,679</u>	<u>2,793,526</u>
Business-Type Activities:						
Miscellaneous Income	1,130	168,884	112,434	90,634	77,779	82,545
Total Business-Type Activities	<u>1,130</u>	<u>168,884</u>	<u>112,434</u>	<u>90,734</u>	<u>77,779</u>	<u>82,545</u>
Total Charter School-wide	<u>\$ 6,317,100</u>	<u>\$ 5,277,167</u>	<u>\$ 4,021,749</u>	<u>\$ 3,419,806</u>	<u>\$ 2,984,458</u>	<u>\$ 2,876,071</u>
<b>Change in Net Assets/Position</b>						
Governmental Activities	\$ (185,995)	\$ (164,052)	\$ 236,866	\$ 142,883	\$ 491,325	\$ 754,230
Business-Type Activities	(3,874)	165,408	83,785	71,524	68,037	61,355
Total Charter School	<u>\$ (189,869)</u>	<u>\$ 1,356</u>	<u>\$ 320,651</u>	<u>\$ 214,407</u>	<u>\$ 559,362</u>	<u>\$ 815,585</u>

Source: Comprehensive Annual Financial Report



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fund Balances - Governmental Funds  
 Last Six Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

	Fiscal Year Ending June 30,					
	2018	2017	2016	2015	2014	2013
General Fund Unassigned	\$ 724,333	\$ 537,646	\$ 1,625,204	\$ 1,388,438	\$ 1,245,555	\$ 754,230
Total General Fund	<u>\$ 724,333</u>	<u>\$ 537,646</u>	<u>\$ 1,625,204</u>	<u>\$ 1,388,438</u>	<u>\$ 1,245,555</u>	<u>\$ 754,230</u>

**Source: Comprehensive Annual Financial Report**

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Changes in Fund Balances - Governmental Funds  
 Last Six Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

Fiscal Year Ending June 30,	2018	2017	2016	2015	2014	2013
<b>Revenues:</b>						
Local Sources:						
Local Tax Levy	\$ 4,636,573	\$ 4,150,205	\$ 3,198,497	\$ 2,860,205	\$ 2,462,871	\$ 1,920,628
Interest In Investments	-	545	-	-	-	-
Miscellaneous	11,322	9,295	-	-	-	-
State Sources	1,049,979	999,480	642,008	432,965	360,209	371,489
Federal Sources	135,449	84,432	68,810	35,902	83,599	501,409
Total Revenues	<u>5,833,323</u>	<u>5,243,957</u>	<u>3,909,315</u>	<u>3,329,072</u>	<u>2,906,679</u>	<u>2,793,526</u>
<b>Expenditures:</b>						
Instruction	1,989,011	2,235,983	1,576,931	1,426,489	1,094,572	1,054,206
Administration	1,643,508	1,278,921	1,127,531	750,758	630,787	466,742
Support Services	2,014,116	1,842,449	918,087	908,942	676,324	518,348
Capital Outlay	-	974,162	50,000	100,000	13,671	-
Total Expenditures	<u>5,646,635</u>	<u>6,331,515</u>	<u>3,672,549</u>	<u>3,186,189</u>	<u>2,415,354</u>	<u>2,039,296</u>
Net Change in Fund Balance	<u>\$ 186,688</u>	<u>\$ (1,087,558)</u>	<u>\$ 236,766</u>	<u>\$ 142,883</u>	<u>\$ 491,325</u>	<u>\$ 754,230</u>

Source: Comprehensive Annual Financial Report

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 General Fund - Other Local Revenue by Source  
 Last Two Fiscal Years  
*(modified accrual basis of accounting)*  
 Unaudited

Fiscal Year Ending June 30,	Rentals	Donations	Sale of Capital Assets	Sale and Leaseback of Textbooks	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2018	\$ -	-	\$ -	-	\$ -	11,322	\$ 11,322
2017	-	-	-	-	-	9,295	9,295

**Source: Charter School records**

***OPERATING INFORMATION***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Full-Time Equivalent Charter School Employees by Function  
 Last Six Years

Function	2018	2017	2016	2015	2014	2013
Instruction	34	25	25	25	17	14
Administrative	5	4	4	4	4	3
Support Services	14	9	9	9	6	6
<b>Total</b>	<b>53</b>	<b>38</b>	<b>38</b>	<b>38</b>	<b>27</b>	<b>23</b>

**Source:** Charter School Personal Records

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

Operating Statistics  
Last Six Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Middle School	Average Daily		Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
							Teacher R	Enrollment (ADE) <sup>c</sup>			
2018	476	\$ 5,646,635	\$ 11,863	-5.67%	34	12:1	470.5	438	10.71%	93.09%	
2017	426	5,357,353	12,576	16.99%	25	12:1	425	398	26.45%	93.65%	
2016	337	3,622,549	10,749	2.40%	25	12:1	336.1	329	14.51%	97.89%	
2015	294	3,086,189	10,497	10.14%	25	12:1	293.5	288	16.28%	98.13%	
2014	252	2,401,683	9,530	-1.86%	14	18:1	252.4	246	21.35%	97.46%	
2013	210	2,039,296	9,711	0.00%	14	15:1	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  
Last Five Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Charter School Building</u></b>					
<b><u>Middle School</u></b>					
Square Feet	60,000	60,000	20,000	20,000	12,000
Capacity (students)	476	426	336	294	252
Enrollment	469	425	336	293	252

Number of Schools at June 30, 2018  
Middle School = 1

Source: Charter School's Records

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

Insurance Schedule  
June 30, 2018

	Coverage	Deductible
<b>Commercial Package - NJSIG:</b>		
Property - Blanket Building and Contents	\$500,000,000.00	\$1,000.00
Accounts Receivable	\$250,000.00	\$1,000.00
Automobile Physical Damage	None	None
Electronic Data Processing Equipment	\$200,000.00	\$1,000.00
<b>Comprehensive General Liability - NJSIG:</b>		
Occurrence Limit	\$11,000,000.00	None
Automobile Liability	\$11,000,000.00	None
Employee Benefit Liability	\$11,000,000.00	\$1,000.00
<b>Worker's Compensation - NJSIG:</b>		
Statutory Benefits	Included	
Employer's Liability	\$2,000,000.00	
Supplemental Indemnity Coverage	Included	7 Day Waiting Period
<b>School Leaders Errors &amp; Omissions - NJSIG:</b>		
Limit Each Loss	\$11,000,000.00	\$5,000.00
<b>Crime - NJSIG:</b>		
Blanket Employee Dishonesty	\$250,000.00	\$1,000.00
Computer Fraud	\$250,000.00	\$1,000.00
Forgery	\$250,000.00	\$1,000.00
<b>Theft/Disappearance/Destruction:</b>		
Inside	\$50,000.00	\$500.00
Outside	\$50,000.00	\$500.00
<b>Public Official Bonds - NJSIG:</b>		
Board Secretary	\$180,000.00	\$500.00



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Charter School Performance Framework Financial Indicators  
 Fiscal Ratios  
 Last Three Fiscal Years

	2016	2017	2018	Source
	Audit	Audit	Audit	
Cash	\$ 1,301,704	\$ 270,656	\$ 195,010	Audit: Exhibit A-1
Current Assets (includes CASH)	1,769,625	859,376	861,064	Audit: Exhibit A-1
Total Assets	1,769,625	2,791,578	3,183,245	Audit: Exhibit A-1
Current Liabilities	84,851	230,803	49,698	Audit: Exhibit A-1
Total Liabilities	84,851	350,819	2,267,249	Audit: Exhibit A-1
Net Assets	1,684,774	1,105,866	915,996	Audit: Exhibit A-1
Total Revenue	4,073,852	5,358,972	6,672,476	Audit: Exhibit A-2
Total Expenses	3,842,409	5,937,875	6,862,345	Audit: Exhibit A-2
Change in Net Assets	231,443	(578,903)	(189,869)	Audit: Exhibit A-2
Depreciation Expense	-	-	-	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	336.10	425.00	470.50	DOE Enrollment Reports
March, 30th Budgeted Enrollment	370	425	475	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2016	2017	2018	3 YR CUM	Source:
1a. Current Ratio	20.86	3.72	17.33	9.55	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	123.65	16.64	10.37	38.76	Cash/(Total Expenses/365)
1c. Enrollment Variance	91%	100%	99%	97%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A		Audit
<b>Sustainability Indicators</b>					
2a. Total Margin	6%	-11%	-3%	-3%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.05	0.13	0.71	0.3	Total Liabilities/Total Assets
2c.** Cash Flow	1,301,704	(1,031,048)	(75,646)	195,010	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)
					Target
					> 1.1
					30-60
					>95%
					not in default
					positive
					<.9
					3 yr cum positive
					>1.10

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2018 = 2018 Cash - 2017 Cash; 2017 = 2017 Cash - 2016 Cash; 2016 = 2016 Cash - 2015 Cash

Refer questions to [charterfinance@doe.state.nj.us](mailto:charterfinance@doe.state.nj.us)

***SINGLE AUDIT SECTION***

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

*www.cpa-bc.com ♦ info@cpa-bc.com*

K-1  
Page 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  
“GOVERNMENT AUDITING STANDARDS”**

**INDEPENDENT AUDITORS’ REPORT**

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

We have audited, in accordance with the 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; and in compliance with 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, each major fund, and the aggregate remaining fund information of 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, 2018, 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, and have issued our report thereon dated February 13, 2019.

**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.

We also noted other matters that we reported to the Board of Trustees of the Thomas Edison EnergySmart Charter School in a separate report entitled, Auditor's Management Report on Administrative Findings dated February 13, 2019.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
License Number CS-01181

Union, New Jersey  
February 13, 2019

**BARRE & COMPANY LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

*www.cpa-bc.com ♦ info@cpa-bc.com*

K-2  
Page 1

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB  
CIRCULAR 15-08**

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

***Report on Compliance for Each Major State Program.***

We have audited the Thomas Edison EnergySmart Charter School’s compliance, with the types of compliance requirements described in the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of the Charter School’s major state programs for the fiscal year ended June 30, 2018. The Charter School’s major 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 state programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School’s major 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 of New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of State Aid*. Those standards, the Uniform Guidance and New Jersey’s OMB Circular 15-08 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 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 state program. However, our audit does not provide a legal determination of the Charter School's compliance.

### ***Opinion on Each Major State Program***

In our opinion, the Thomas Edison EnergySmart Charter School, in the County of Somerset, 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 state programs for the year ended June 30, 2018.

### **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 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 state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey's OMB Circular 15-08, 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 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 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 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.


**Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated February 13, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by the Uniform Guidance and New Jersey's OMB Circular 15-08 are presented for purposed of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and related directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

  
BARRE & COMPANY LLC  
Certified Public Accountants  
Public School Accountants

  
Richard M. Barre  
Public School Accountant  
License Number CS-01181

Union, New Jersey  
February 13, 2019

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2017	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2018 Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>														
<b>Passed-through State Department of Education</b>														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84.010A	S010A150030	NCLB - 6081 - 18	\$ 52,524	7/1/17	6/30/18	\$ -	\$ 52,524	\$ (62,524)	\$ -	\$ -	\$ -	\$ -	\$ -
Title II Part A	84.367A		NCLB - 6081 - 18	10,401	9/1/17	8/31/18	-	10,401	(10,401)	-	-	-	-	-
Title IV State & Drug Free	84.186A		NCLB - 6081 - 18	10,000	9/1/17	8/31/18	-	10,000	(10,000)	-	-	-	-	-
Total No Child Left Behind Cluster				72,925				72,925	(72,925)					
Social Education Cluster (IDEA):														
IDEA - Part B	84.027	H027A150030	IDEA - 6081 - 18	62,524	7/1/17	6/30/18	-	62,524	(62,524)	-	-	-	-	-
Total Special Education Cluster (IDEA)				62,524				62,524	(62,524)					
Total Special Revenue Fund				135,449				135,449	(135,449)					
<b>U.S. Department of Agriculture</b>														
<b>Passed-through State Department of Agriculture</b>														
Enterprise Fund:														
School Breakfast Program	10.553	16161NJ304N1099	N/A	3,932	7/1/17	6/30/18		3,701	(3,932)			(231)		
School Breakfast Program	10.553	16161NJ304N1099	N/A	2,162	7/1/16	6/30/17	(220)	220						
National School Lunch Program	10.555	16161NJ304N1099	N/A	33,527	7/1/17	6/30/18		31,188	(33,527)			(2,339)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	22,690	7/1/16	6/30/17	(2,002)	2,002						
Total Enterprise Fund				62,301			(2,222)	37,111	(37,459)			(2,570)		
Sub-Total Federal Financial Awards				172,560			(2,222)	172,560	(172,908)			(2,570)		

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



**THOMAS EDISON ENERGY SMART CHARTER SCHOOL**  
 Schedule of Expenditures of State Financial Assistance  
 For the Fiscal Year Ending June 30, 2018  
 Initial Year

State Grantor/Program Title	Grant or Project Number	Program or Activity Amount	Grant Period		Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Adjustments/ Payment of Balance	Balance at June 30, 2018		MEMO
			From	To	Deferred Revenue (Receivable)	Due to Grantor				Accounts Receivable	Deferred Revenue/ Payable	
<b>State Department of Education</b>												
General Fund:												
State ACP/Public Cluster												
Equalization Aid	18-495-034-5120-078	518,170	7/1/17	6/30/18			518,170	(518,170)				518,170
Education Aid	18-495-034-5120-084	39,463	7/1/17	6/30/18			39,463	(39,463)				39,463
Security Aid	18-495-034-5120-084	39,463	7/1/17	6/30/18			608,101	(608,101)				608,101
Total State Aid/Public Cluster												
Nonpublic Aid												
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)	18-495-034-5095-004	1,318	7/1/17	6/30/18			1,318	(1,318)				1,318
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)	17-495-034-5095-003	126,614	7/1/17	6/30/18			126,614	(126,614)				126,614
On-Behalf TPAF Pension Aid (Non-Budgeted)	18-495-034-5095-001	196,035	7/1/17	6/30/18			196,035	(196,035)				196,035
Reimbursed TPAF - Social Security	18-495-034-5095-002	117,211	7/1/17	6/30/18			117,211	(117,211)				117,211
Total General Fund							1,049,979	(1,049,979)				1,049,979
<b>State Department of Agriculture</b>												
Enterprise Fund:												
Lunch Program (State Share)	18-100-010-3850-023	1,444	7/1/17	6/30/18		(82)	1,334	(1,444)		(110)		1,444
National School Lunch Program (State Share)	17-100-010-3850-023	971	7/1/16	6/30/17		(82)	82					
Total Enterprise Fund							1,416	(1,444)		(110)		1,444
Total State Financial Assistance							1,051,395	(1,051,423)		(110)		1,051,423
<b>State Financial Assistance Not Subject To Major Program Determination:</b>												
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)	18-495-034-5095-004	1,318	7/1/17	6/30/18			1,318	(1,318)				1,318
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)	17-495-034-5095-003	126,614	7/1/17	6/30/18			126,614	(126,614)				126,614
On-Behalf TPAF Pension Aid (Non-Budgeted)	18-495-034-5095-001	196,035	7/1/17	6/30/18			196,035	(196,035)				196,035
Total State Financial Assistance Subject To Single Audit							727,428	(727,456)		(110)		1,051,423

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, 2018**

---

**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 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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.

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 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*.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
**June 30, 2018**

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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	\$ -	1,049,979	\$ 1,049,979
Special Revenue Fund	135,449	-	135,449
Food Service Fund	37,459	1,444	38,903
Total Awards & Financial Assistance	<u>\$ 172,908</u>	<u>\$ 1,051,423</u>	<u>\$ 1,224,331</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, 2018.

**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, 2018. 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, 2018.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
**June 30, 2018**

---

**NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's basic financial statements and the amount subject to State single audit and major program determination.

**NOTE 8. 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.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 52,524
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>10,401</u>
Total	<u>\$ 62,925</u>

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended **June 30, 2018**

**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	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Noncompliance material to basic financial statements noted?	_____ Yes	__X__ No

**State Awards**

Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None 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 NJOMB Circular Letter 04-04?	_____ Yes	__X__ No
Identification of major state programs:		

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
_____	STATE AID – PUBLIC CLUSTER
18-495-034-5120-078	EQUALIZATION AID
18-495-034-5120-089	SPECIAL EDUCATION CATEGORICAL AID
18-495-034-5120-084	SECURITY AID
18-495-034-5120-078	OTHER STATE AID

**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, 2018**

---

***Section II – Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

Current Year Findings.

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and NJOMB Circular Letter 15-08.

No Current Year Findings.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
For the Fiscal Year Ended **June 30, 2018**

---

**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 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (511 (a)(b) and NJOMB's Circular 15-08.

No Prior Year Findings