

**INTERNATIONAL ACADEMY OF TRENTON
CHARTER SCHOOL**

**Board of Trustees
International Academy of Trenton
Charter School
Trenton, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

**INTERNATIONAL ACADEMY OF TRENTON
CHARTER SCHOOL**

Trenton, New Jersey

For the Fiscal Year Ended June 30, 2018

**Prepared by
International Academy of Trenton
Charter School
Finance Department**

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INTRODUCTORY SECTION



International Academy of Trenton Charter School

November 5, 2019

The Honorable Justice James R. Zazzali
International Academy of Trenton Charter School
Trenton, New Jersey

Dear Justice Zazzali:

The comprehensive annual financial report of the International Academy of Trenton Charter School (the "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 (the "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 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: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart, roster of officials and a list of consultants and advisors. The financial section includes the Independent Auditors' Report, 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 supplementary 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 Charter School is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports 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.

1) REPORTING ENTITY AND ITS SERVICES:

The International Academy of Trenton Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the Charter School are included in this report. The International Academy of Trenton Charter School constitutes the Charter School's reporting entity.

1) REPORTING ENTITY AND ITS SERVICES: (Cont'd)

The mission of the International Academy of Trenton Charter School was to show mastery of a standards driven, international, college preparatory curriculum, delivered through proven, research-based instruction. Students developed positive values and social behaviors through a nurturing school climate and student culture activities. We accomplished this mission by providing any child who enrolled in our school regardless of his or her background, socio-economic status, prior academic experience, or other factors with a world-class and proven college-preparatory public education in a student-centered setting that emphasized community, civic responsibility, and personal development as well as academic rigor.

The Charter School completed the 2017-2018 period; its fourth and final year of operation, with an enrollment of 688 students.

2) ECONOMIC CONDITION AND OUTLOOK:

The Charter School's ceased operations as of June 30, 2018 due to the revocation of its charter.

3) INTERNAL ACCOUNTING CONTROLS:

Management of the Charter School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the Charter School also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system 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 system, including that portion related to major federal and state award programs, as well as to determine that the Charter School has complied with applicable laws, regulations, contracts and grants.

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 a vote of the Board of Trustees. Annual appropriated budgets are adopted for the General and Special Revenue Funds. Project length budgets are approved for the capital improvements accounted for in the Capital Projects Fund. The final budget amount as amended for the period 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 canceled or are included as re-appropriations of fund

4) BUDGETARY CONTROLS (Cont'd)

balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2018.

5) ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

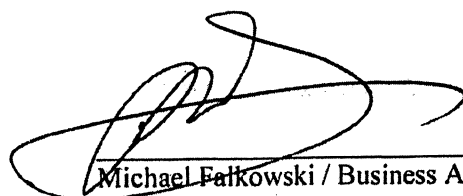
6) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board of Trustees at its organization meeting.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB 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 supplementary 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.

7) ACKNOWLEDGMENTS:

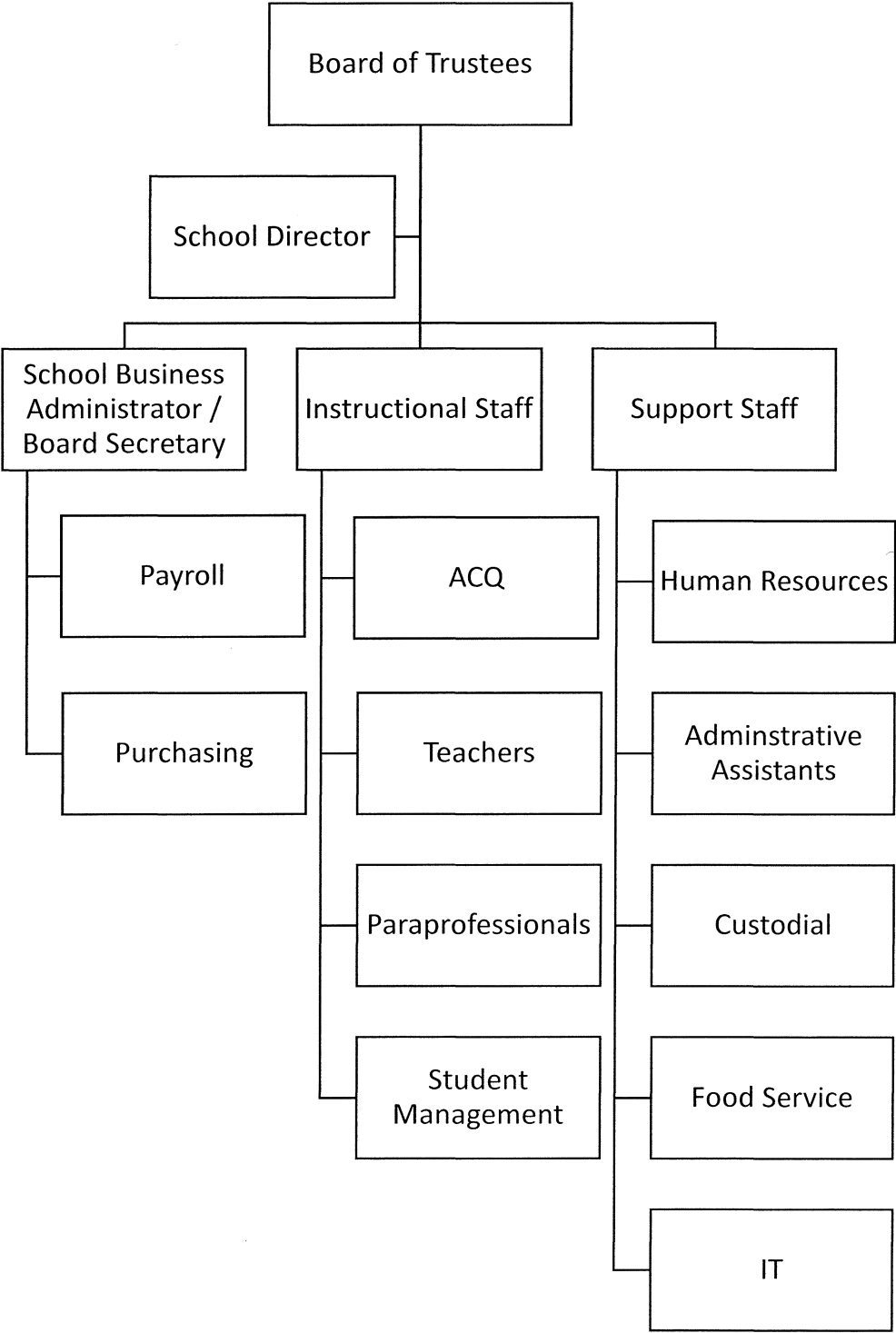
We would like to express our appreciation to the members of the Board of Trustees of the International Academy of Trenton Charter School for their concern in providing fiscal accountability to the citizens and participating school districts of the Charter School and thereby contributing their full support 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 the financial and accounting staff.



Michael Falkowski / Business Administrator

**INTERNATIONAL ACADEMY OF TRENTON
CHARTER SCHOOL**

ORGANIZATIONAL CHART



INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
 ROSTER OF OFFICIALS
 JUNE 30, 2018

<u>Board of Trustees</u>	<u>Position</u>	<u>Expiration of Term</u>
Larry Chenault	President	June 2020
Cheng Hseih	Vice President	June 2020
Dr. William Maddox	Treasurer	June 2020
Christopher Emigholz	Member	June 2020
Dr. Darrell Jackson	Member	June 2020
Dr. Audrey Miller	Member	June 2020
Terron Simmons	Member	June 2020
<u>Other Officials</u>	<u>Title</u>	
Dominique Taylor	School Director	
Michael Falkowski	Business Administrator/Board Secretary	

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
CONSULTANTS AND ADVISORS

Audit Firm

Nisivoccia LLP

Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ, 07856
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

Copehart Scatchard

8000 Midlantic Drive, Suite 3005
PO Box 5016
Mount Laurel, NJ 08054

Official Depository

PNC Bank

Two Tower Center Boulevard, 21st Floor
East Brunswick, NJ 08816

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Trustees
International Academy of Trenton Charter School
County of Mercer, 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 International Academy of Trenton Charter School (the "Charter School") in the County of Mercer, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise of the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. 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 Charter School'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 Charter School'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.

Except for the matter described in the *Basis for Disclaimer of Opinion* paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Disclaimer of Opinion on the Business-Type Activities and Proprietary Funds Financial Statements

The financial statements of the business-type activities and the proprietary funds have not been audited because the Charter School ceased operations as of June 30, 2018 and the meal counts records supporting the non-operating federal revenues for the National School Lunch Program and the School Breakfast Program were not available for audit review.

Disclaimer of Opinion

Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Business-Type Activities and Proprietary Funds* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements of the business-type activities and the proprietary funds of the Charter School. Accordingly, we do not express opinions on these financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund except for the Proprietary Funds, and the aggregate remaining fund information except of the International Academy of Trenton Charter School, in the County of Mercer, as of June 30, 2018, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Implementation of Governmental Accounting Standards Board Statement No. 75

As discussed in Note 7 to the basic financial statements, the Charter School implemented Governmental Accounting Standards 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.

Emphasis of Matter Regarding Cessation of Operations of the Charter School

As discussed in Note 16 to the financial statements, the Charter School ceased operations as of June 30, 2018 because the Charter School’s charter was revoked by the Department of Education, State of New Jersey. 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, which follows this report, the pension and post employment benefit schedules in

Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, except for the business-type activities with respect to the Condensed Statement of Net Position, Changes in Net Position from Operating Results, 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 responses 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.

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 non-major fund financial statements, except for the proprietary fund financial statements and the schedule of expenditures of state awards, as required by New Jersey's OMB 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 accompanying supplementary schedules such as the combining and individual non-major fund financial statements except for the proprietary fund financial statements and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used 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 supplementary schedules except for the proprietary fund financial statements and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The proprietary fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion on the Business-Type Activities and Proprietary Funds Financial Statements* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above in this paragraph.

The accompanying other information such as the introductory and statistical sections has 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.

The Honorable President and Members
of the Board of Trustees
International Academy of Trenton Charter School
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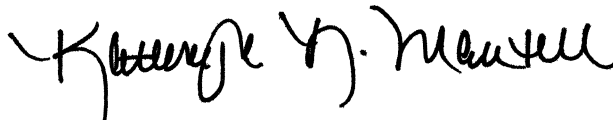
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2019 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



NISIVOCCIA LLP

November 5, 2019
Mount Arlington, New Jersey



Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This section of International Academy of Trenton Charter School's annual financial report presents its discussion and analysis of the Charter School's financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which immediately follow this section.

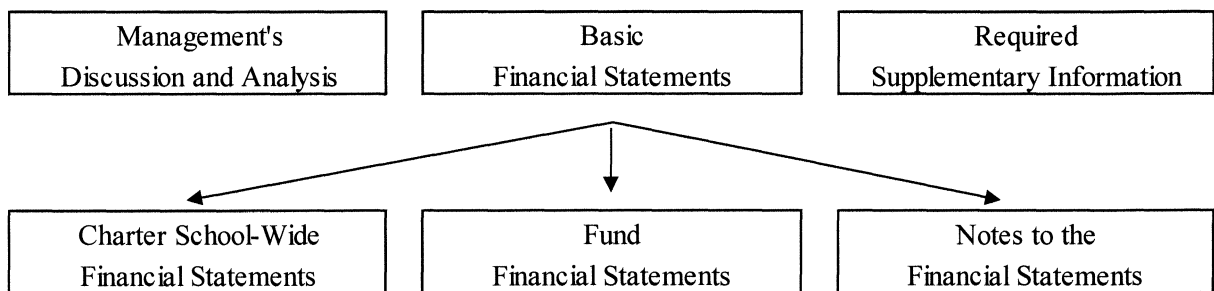
Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Charter School:

- The first two statements are *Charter School-wide financial statements* that provide both *short-term* and *long-term* information about the Charter School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Charter School, reporting the School's operations in *more* detail than the Charter School-Wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The *proprietary funds statements* offer short- and long-term financial information about the activities the School operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the Charter School acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Charter School's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of the International Academy of Trenton Charter School's Financial Report**



**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Figure A-2 summarizes the major features of the Charter School’s financial statements, including the portion of the Charter School’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the Charter School-wide and Fund Financial Statements

	Charter School-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as special education and building maintenance	Activities the School operates similar to private businesses: food services.	Instances in which the School administers resources on behalf of someone else, such as student activities and payroll agency
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Charter School-wide Statements

The Charter School-wide statements report information about the Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Charter School's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Charter School-wide statements report the Charter School's *net position* and how they have changed. Net position – the difference between the Charter School's assets, outflows and deferred inflows, and liabilities – is one way to measure the Charter School's financial health or *position*.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Charter School's overall health, you need to consider additional nonfinancial factors such as changes in the Charter School's property tax base and enrollment and the condition of school buildings and other facilities.

In the Charter School-wide financial statements, the School's activities are in the following category:

- *Governmental activities*: Most of the Charter School's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Charter School's funds, focusing on its most significant or "major" funds – not the Charter School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The Charter School establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The School has three kinds of funds:

- *Governmental funds*: Most of the Charter School's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Charter School's programs. Because this information does not encompass the additional long-term focus of the Charter School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Fund Financial Statements

- *Proprietary funds:* Services for which the Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Charter School-wide statements. The Charter School's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information (such as cash flows). *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The Charter School currently does not maintain any internal service funds.
- *Fiduciary funds:* The Charter School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The Charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Charter School excludes these activities from the Charter School-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic 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 basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the School as a Whole

Net Position. The Charter School's *combined* net position was \$378,411 as of June 30, 2018 – a decrease of \$1,125,743, or 74.84% from the prior year. (See Figure A-3).

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total Charter School		% Change
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	
Current and Other Assets	\$ 1,966,201	\$ 1,781,988	\$ 6,471	\$ 42,808	\$ 1,972,672	\$ 1,824,796	
Total Assets	1,966,201	1,781,988	6,471	42,808	1,972,672	1,824,796	-7.50%
Deferred Outflows of Resources		2,325,567				2,325,567	100.00%
Current Liabilities	464,029	929,739	4,489	42,808	468,518	972,547	
Long-Term Liabilities		2,331,425				2,331,425	
Total Liabilities	464,029	3,261,164	4,489	42,808	468,518	3,303,972	605.20%
Deferred Inflows of Resources		467,980				467,980	100.00%
Net Position:							
Restricted	75,000	75,000			75,000	75,000	
Unrestricted	1,427,172	303,411	1,982		1,429,154	303,411	
Total Net Position	\$ 1,502,172	\$ 378,411	\$ 1,982	\$ - 0 -	\$ 1,504,154	\$ 378,411	-74.84%

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Changes in Net Position. The Charter School's combined net position decreased by \$1,125,743 – governmental activities decreased \$1,123,761 and business-type activities decreased \$1,982. The Charter School's unrestricted net position decreased primarily due to the appropriation of additional fund balance to support increased expenses in the 2017-2018 budget and accrual of its long-term pension liability.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		% Change
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	
Revenue:							
Program Revenue:							
Operating Grants and Contributions	\$ 871,910	\$ 1,871,369	\$287,597	\$437,623	\$ 1,159,507	\$ 2,308,992	
General Revenue:							
Local Levy - Charter School Aid	6,491,817	8,081,808			6,491,817	8,081,808	
Other	66,791	180,472			66,791	180,472	
Total Revenue	<u>7,430,518</u>	<u>10,133,649</u>	<u>287,597</u>	<u>437,623</u>	<u>7,718,115</u>	<u>10,571,272</u>	36.97%
Expenses:							
Instruction	3,909,095	5,754,789			3,909,095	5,754,789	
Pupil and Instruction Services	487,431	468,839			487,431	468,839	
Administrative and Business	2,006,359	2,407,894			2,006,359	2,407,894	
Maintenance and Operations	1,305,886	2,556,595			1,305,886	2,556,595	
Transportation	415	5,096			415	5,096	
Other	183,306		410,477	486,937	593,783	486,937	
Other Item				17,745		17,745	
Total Expenses	<u>7,892,492</u>	<u>11,193,213</u>	<u>410,477</u>	<u>504,682</u>	<u>8,302,969</u>	<u>11,697,895</u>	40.89%
Transfers	<u>(123,234)</u>	<u>(64,197)</u>	<u>123,234</u>	<u>65,077</u>	<u>880</u>	<u>880</u>	0.00%
Change in Net Position	<u>\$ (585,208)</u>	<u>\$ (1,123,761)</u>	<u>\$ 354</u>	<u>\$ (1,982)</u>	<u>\$ (584,854)</u>	<u>\$ (1,125,743)</u>	-92.48%

Governmental Activities

The Charter School's financial position decreased significantly due to the increase in net pension liability and an increase in 2017-18 budget expenses.

Figure A-5 presents the cost of six major Charter School activities: instruction, pupil and instruction services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs):

**INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

**Figure A-5
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016/17	2017/18	2016/17	2017/18
Instruction	\$ 3,909,095	\$ 5,754,789	\$ 3,037,185	\$ 3,844,075
Pupil and Instruction Services	487,431	468,839	487,431	468,839
Administrative and Business	2,006,359	2,407,894	2,006,359	2,407,894
Maintenance and Operations	1,305,886	2,556,595	1,305,886	2,556,595
Transportation	415	5,096	415	5,096
Other			183,306	39,345
	<u>\$ 7,709,186</u>	<u>\$ 11,193,213</u>	<u>\$ 7,020,582</u>	<u>\$ 9,321,844</u>

Financial Analysis of the Charter School's Funds

The Charter School's financial position decreased during the year mostly due to increased expenditures for instructional and administrative services.

General Fund Budgetary Highlights

Over the course of the year, the Charter School revised the annual operating budget several times. These budget amendments represented changes made between budgetary line items for changes in school-based needs for programs, supplies and equipment.

Long-term Liabilities

At year-end, the Charter School had a net pension liability of \$2,331,425 as shown in Figure A-6. The increase in net pension liability is due to the current fiscal year being the first year that a net pension liability was calculated for the Charter School by the Division of Pensions and Benefits, State of New Jersey.

**Figure A-6
Long-Term Liabilities**

	Total School District		Percentage Change
	2016/17	2017/18	
Net Pension Liability	<u>\$ -0-</u>	<u>\$ 2,331,425</u>	100.00%

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a snapshot of the Charter School's finances and to show the Charter School's accountability for the money it receives. Questions about this report or additional information needs should be directed to James R. Zazzali, Independent Trustee, One Gateway Center, Newark, New Jersey 07102.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,058,008		\$ 1,058,008
Receivables from Other Governments:			
Other	522,297		522,297
State	12,980	\$ 942	13,922
Federal		83,682	83,682
Other Accounts Receivable	146,007		146,007
Internal Balances	42,696	(41,816)	880
Total Assets	<u>1,781,988</u>	<u>42,808</u>	<u>1,824,796</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflows - Pensions	2,325,567		2,325,567
Total Deferred Outflows of Resources	<u>2,325,567</u>		<u>2,325,567</u>
LIABILITIES			
Accounts Payable - Vendors	678,904	42,808	721,712
Payable to Other Government	250,835		250,835
Net Pension Liability	2,331,425		2,331,425
Total Liabilities	<u>3,261,164</u>	<u>42,808</u>	<u>3,303,972</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Inflows - Pensions	467,980		467,980
Total Deferred Inflows of Resources	<u>467,980</u>		<u>467,980</u>
NET POSITION			
Restricted for Charter School Escrow	75,000		75,000
Unrestricted	303,411		303,411
Total Net Position	<u>\$ 378,411</u>	<u>\$ - 0 -</u>	<u>\$ 378,411</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:					
Instruction:					
Regular	\$ 5,334,678	\$ 1,452,968	\$ (3,881,710)		\$ (3,881,710)
Special Education	420,111	418,401	(1,710)		(1,710)
Support Services:					
Student & Instruction Related Services	468,839		(468,839)		(468,839)
General Administrative Services	1,198,702		(1,198,702)		(1,198,702)
School Administrative Services	394,482		(394,482)		(394,482)
Central Services	814,710		(814,710)		(814,710)
Plant Operations and Maintenance	2,556,595		(2,556,595)		(2,556,595)
Pupil Transportation	5,096		(5,096)		(5,096)
Total Governmental Activities	11,193,213	1,871,369	(9,321,844)		(9,321,844)
Business-Type Activities:					
Food Service	486,937	437,623		\$ (49,314)	(49,314)
Total Business-Type Activities	486,937	437,623		(49,314)	(49,314)
Total Primary Government	\$ 11,680,150	\$ 2,308,992	\$ (9,321,844)	(49,314)	(9,371,158)

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Revenue:						
Local Levy:						
Local Share		\$ 789,389		\$ 789,389		\$ 789,389
State Share		7,292,419		7,292,419		7,292,419
Miscellaneous Income			180,472	180,472		180,472
Transfers			(64,197)	(64,197)	\$ 65,077	880
Total General Revenues and Transfers			8,198,083	8,198,083	65,077	8,263,160
Other Item:						
Cancellation of Intergovernmental Accounts Receivable					(17,745)	(17,745)
Change in Net Position				(1,123,761)	(1,982)	(1,125,743)
Net Position - Beginning				1,502,172	1,982	1,504,154
Net Position - Ending				\$ 378,411	\$ - 0 -	\$ 378,411

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash and Cash Equivalents	\$ 858,734	\$ 199,274	\$ 1,058,008
Interfund Receivable:			
Payroll Agency			
Student Activities	880		880
Food Service Fund	41,816		41,816
Receivables From Other Governments:			
Other	522,297		522,297
State	12,980		12,980
Other Accounts Receivable	146,007		146,007
Total Assets	<u>\$ 1,582,714</u>	<u>\$ 199,274</u>	<u>\$ 1,781,988</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable - Vendors	\$ 678,904		\$ 678,904
Payable to Other Governments:			
Other	51,561	\$ 199,274	250,835
Total Liabilities	<u>730,465</u>	<u>199,274</u>	<u>929,739</u>
Fund Balances:			
Restricted:			
Charter School Escrow	75,000		75,000
Unassigned:			
General Fund	777,249		777,249
Total Fund Balances	<u>852,249</u>		<u>852,249</u>
Total Liabilities and Fund Balances	<u>\$ 1,582,714</u>	<u>\$ 199,274</u>	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:

Deferred Outflows	2,325,567
Deferred Inflows	(467,980)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(2,331,425)

Net Position of Governmental Activities

\$ 378,411

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUE:			
Local Sources:			
Charter School Aid	\$ 789,389		\$ 789,389
Miscellaneous	180,472		180,472
Total - Local Sources	969,861		969,861
State Sources	8,127,704		8,127,704
Federal Sources		\$ 462,364	462,364
Total Revenue	9,097,565	462,364	9,559,929
EXPENDITURES			
Current:			
Regular Instruction	3,206,552	347,550	3,554,102
Special Education Instruction	212,051	10,000	222,051
Student & Instruction Related Services	405,741		405,741
General Administrative Services	1,085,590	104,814	1,190,404
School Administrative Services	277,779		277,779
Central Services	613,876		613,876
Plant Operations and Maintenance	2,485,589		2,485,589
Pupil Transportation	5,096		5,096
Employee Benefits - Allocated and Unallocated	1,351,672		1,351,672
Capital Outlay	39,345		39,345
Total Expenditures	9,683,291	462,364	10,145,655
Excess/(Deficiency) of Revenue Over/(under) Expenditures	(585,726)		(585,726)
OTHER FINANCING SOURCES/(USES)			
Transfers Out	(65,077)		(65,077)
Transfers In	880		880
Total Other Financing Sources/(Uses)	(64,197)		(64,197)
Net Change in Fund Balances	(649,923)		(649,923)
Fund Balance—July 1	1,502,172	-0-	1,502,172
Fund Balance—June 30	\$ 852,249	\$ -0-	\$ 852,249

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUE, 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 (Exhibit B-2)	\$	(649,923)
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Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability		(2,331,425)
Change in Deferred Outflows		2,325,567
Change in Deferred Inflows		(467,980)
		(467,980)
Change in Net Position - Governmental Funds (Exhibit A-2)	\$	(1,123,761)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>
ASSETS:	
Current Assets:	
Intergovernmental Accounts Receivable:	
State	\$ 942
Federal	83,682
	84,624
Total Current Assets	84,624
Total Assets	84,624
 LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	42,808
Interfund Payable - General Fund	41,816
	84,624
Total Liabilities	84,624
 NET POSITION:	
Unrestricted	- 0 -
Total Net Position	\$ - 0 -

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	\$ 401,597
Salaries, Benefits & Payroll Taxes	<u>85,340</u>
Total Operating Expenses	<u>486,937</u>
Operating (Loss)	<u>(486,937)</u>
Non-Operating Revenue:	
State Sources:	
State School Lunch Program	5,435
Federal Sources:	
National School Lunch Program	334,339
School Breakfast Program	<u>97,849</u>
Total Non-Operating Revenue	<u>437,623</u>
Change in Net Position	(49,314)
Transfer In - General Fund	<u>65,077</u>
Change in Net Position After Transfer	15,763
Other Items:	
Cancellation of Intergovernmental Accounts Receivable:	
State	(245)
Federal	<u>(17,500)</u>
Total Other Items	<u>(17,745)</u>
Change in Net Position After Other Items	(1,982)
Net Position - Beginning of Year	<u>1,982</u>
Net Position - End of Year	<u><u>\$ - 0 -</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>
Cash Flows From Operating Activities:	
Payments to Food Service Vendor	\$ (363,278)
Payments Salaries, Benefits & Payroll Taxes	<u>(85,340)</u>
Net Cash Used for Operating Activities	<u>(448,618)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program - Received in Food Service Fund	5,755
Federal Sources:	
National School Lunch Program - Received in Food Service Fund	92,652
School Breakfast Program - Received in Food Service Fund	340,275
Transfer from General Fund	<u>9,936</u>
Net Cash Provided by Noncapital Financing Activities	<u>448,618</u>
Net Increase in Cash and Cash Equivalents	- 0 -
Cash and Cash Equivalents, July 1	<u>- 0 -</u>
Cash and Cash Equivalents, June 30	<u>\$ - 0 -</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (486,937)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>38,319</u>
Net Cash Used for Operating Activities	<u>\$ (448,618)</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Funds
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 36,683
Total Assets	36,683
<u>LIABILITIES:</u>	
Payroll Deductions and Withholdings Due to General Fund	35,803 880
Total Liabilities	36,683
<u>NET POSITION</u>	\$ - 0 -

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of International Academy of Trenton Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Charter School's accounting policies are described below.

A. Reporting Entity:

The International Academy of Trenton Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. A School Director is appointed by the Board and is responsible for the administrative control of the Charter School.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

Charter School-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the Charter School's Governmental and Business-type activities. These statements include the financial activities of the overall Charter School in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between governmental and business type activities of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business type activities are financed in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenue for each function of the Charter School's Governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Charter School-Wide Financial Statements: (Cont'd)

Program revenue includes (a) 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. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the Charter School.

Fund Financial Statements:

During the period, 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 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 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 and report all expendable financial resources not 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 NJDOE, the Charter School includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states 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 revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, school taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

The Charter School reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Charter School's cafeteria program. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (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.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

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 and includes the Payroll Agency and Student Activities Agency Funds.

C. Measurement Focus and Basis of Accounting

The Charter School-Wide financial statements, the Proprietary and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the Charter School gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the period for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the period in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The Charter School considers all revenue reported in the Governmental Funds to be available if the revenue is collected within sixty days after the end of the 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. 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.

It is the Charter School's policy that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the Charter School's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Charter School Aid is susceptible to accrual since under the New Jersey State Statute, each constituent school district is required to remit to the Charter School the entire balance of aid in the amount reported to each district by the State Department of Education. The Charter School is entitled to receive moneys under the established payment schedule and the unpaid amount is considered an "accounts receivable".

Under the terms of grant agreements, the Charter School may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the Charter School's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Trustees. 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 Charter of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary 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).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, 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 the end of the fiscal year.

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,097,565	\$ 462,364
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 9,097,565</u>	<u>\$ 462,364</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 9,683,291</u>	<u>\$ 462,364</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 9,683,291</u>	<u>\$ 462,364</u>

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash change funds, amounts in deposit, and short-term investments with original maturities of three months or less.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments: (Cont'd)

New Jersey school districts and charter schools are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts and charter schools. Additionally, the Charter School has adopted a cash management plan that requires it to deposit public 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 Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

The Charter School generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The Charter School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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 restricted, committed and/or assigned of fund balances at period-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances: (Cont'd)

Open encumbrances in the Special Revenue Fund for which the Charter School has received advances are reflected in the balance sheet as unearned revenue at period end.

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

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses which benefit future periods, other than those recorded in the Enterprise Fund, are recorded as expenditures during the year of purchase.

K. Capital Assets:

During the Charter School's initial year of operation, a formal system of accounting for its capital assets was established. Capital assets acquired or constructed are recorded at historical cost including ancillary charges necessary to place the asset into service. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The Charter School does not possess any infrastructure. The Charter School would review any capital assets for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the Charter School-Wide statements are as follows:

	Estimated Useful Life
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years

In the Fund financial statements, capital assets used in the Governmental Fund operations are accounted for as capital outlay expenditures in the Governmental Funds upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the Fund financial statements.

L. Long Term Liabilities:

In the Charter School-Wide Statement of Net Position, long-term debt and other long-term obligations would be reported as liabilities in governmental activities. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Long Term Liabilities: (Cont'd)

In the Charter School-Wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due beyond one year.

M. Accrued Salaries and Wages:

The Charter School does not allow employees, who provide services to the Charter School over the ten-month academic year, the option to have their salaries evenly disbursed during the entire twelve-month year. Therefore, there are no accrued salaries and wages for this purpose at June 30, 2018.

N. Compensated Absences:

The Charter School accounts for compensated absences as directed by GASB. A liability attributable to services already rendered and not contingent on a specific event outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's policies and employee contracts. Upon separation, certain employees are paid for accrued vacation. Employees can also accumulate unused sick leave which will be paid, with certain limits, upon the employee's retirement or separation pursuant to the Charter School's policy or employee contracts.

In the Charter School-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due after one year.

O. Unearned Revenue:

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: Of the \$831,106 General Fund balance at June 30, 2018, \$75,000 is restricted for Charter School Escrow, and \$756,106 is unassigned.

Q. Net Position:

The net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the Charter School that is applicable to a future reporting period. The Charter School had deferred inflows and outflows of resources related to pensions at June 30, 2018.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Net Position: (Cont'd)

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the Charter School's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the Charter School's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

The Charter School has \$75,000 of restricted resources in the General Fund at June 30, 2018 for Charter School Escrow.

The Board of Trustees has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body. The Board of Trustees must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Trustees at a public meeting of that governing body in order to remove or change the commitment of resources. The Charter School has no committed resources at June 30, 2018.

The assignment of resources is generally made by the Board of Trustees through a motion or a resolution passed by a majority of the members of the Board of Trustees. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Trustees may allow an official of the Charter School to assign resources through policies adopted by the Board of Trustees. The Charter School has no assigned resources as of June 30, 2018.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Revenue - 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 period in which the resources are measurable and become available. Available means the resources will be collected within the current period or are expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the Charter School, available means within sixty days of the period end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the period for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the period 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 period 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 period-end: property taxes, interest and tuition.

T. Management Estimates:

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND CHARTER SCHOOL-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and Charter School-Wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

The Charter School 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 requires disclosure of the level of custodial credit risk assumed by the Charter School in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Interest Rate Risk - In accordance with its cash management plan, the Charter School ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The Charter School limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investment section of this note.

Custodial Credit Risk – The Charter School’s policy with respect to custodial credit risk requires that the Charter School ensures that Charter School funds are only deposited in financial institutions in which NJ school districts and charter schools are permitted to invest their funds.

Deposits:

New Jersey statutes require that school districts and 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. School districts and charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

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 5% of the average daily balance of collected public funds on deposit, and

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 school districts and charter schools to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the schools district is located.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.) ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (e) On the same date that the school district or charter school funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district or charter school through the designated public depository.

As of June 30, 2018, cash and cash equivalents of the Charter School consisted of the following:

	Cash and Cash Equivalents
Checking & Savings Accounts	\$ 1,094,691

During the period ended June 30, 2018, the Charter School did not hold any investments. The carrying amount of the Charter School's cash and cash equivalents at June 30, 2018, was \$1,094,691 and the bank balance was \$1,326,618.

NOTE 4. CAPITAL ASSETS

The Charter School had no capital assets as of June 30, 2018.

NOTE 5. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the Charter School wide financial statements:

	Balance June 30, 2017	Accrued	Retired	Balance June 30, 2018
Net Pension Liability	\$ - 0 -	\$ 2,331,425	\$ - 0 -	\$ 2,331,425

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and would be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$2,331,425. See Note 8 for further information on the PERS. In the current fiscal year, the Charter School made its first required PERS employer contribution. Also, this is the initial year that the Division of Pensions and Benefits, State of New Jersey has reported a net pension liability for the Charter School since its inception during the fiscal year ended June 30, 2015.

NOTE 6. TRANSFER TO CAPITAL OUTLAY

During the year ended June 30, 2018, the Charter School did not make any transfers to the capital outlay accounts.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. POST-RETIREMENT BENEFITS

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The Charter School is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the Charter School. The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health 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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits 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 years or more 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, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. POST-RETIREMENT BENEFITS

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

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.

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 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 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 MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health 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

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. POST-RETIREMENT BENEFITS

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Health Care Trend Assumptions (Cont'd)

5.9% and decreases to a 5.0% long term rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term 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.

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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

Changes for Year:

Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	<u>45,748,749</u>

Net Changes (4,191,942,326)

Balance at June 30, 2017 \$ 53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the Charter School to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School 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:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 1,438,498	\$ 1,211,803	\$ 1,031,987

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. POST-RETIREMENT BENEFITS

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)
(Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the Charter School to Changes in the Discount Rate (Cont'd)

	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 983,801	\$ 821,188	\$ 693,191

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the Charter School to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 996,591	\$ 1,211,803	\$ 1,497,602

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 673,808	\$ 821,188	\$ 1,018,222

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 \$705,383 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.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. POST-RETIREMENT BENEFITS

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

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

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 noted below :

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

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

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

NOTE 8. PENSION PLANS

Substantially all of the School’s employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers’ Pension and Annuity Fund (TPAF) or the Public Employee’s Retirement System (PERS) of New Jersey.

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

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description (Cont'd)

Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.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	Definition
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 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

Service retirement benefits of 1/55th 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 age 62. Service retirement benefits of 1/60th 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 reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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 at 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 55 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. 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 the 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 \$99,143 for 2018.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 7.34% effective July 1, 2017. 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.

Pension Liabilities and Pension Expense

At June 30, 2018, the Charter School's liability was \$2,331,425 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 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 1.00%, which was an increase of 1.00% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Charter School recognized actual pension expense in the amount of \$566,620. At June 30, 2017, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferral Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 26,448	
	2015	5.72	111,404	
	2016	5.57	331,850	
	2017	5.48	<u>469,702</u>	\$ (467,980)
				<u>(467,980)</u>
Changes in Proportion	2017	5.48	<u>1,785,093</u>	
			<u>1,785,093</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(27,938)	
	2015	5.00	23,832	
	2016	5.00	99,925	
	2017	5.00	<u>(79,944)</u>	
			<u>15,875</u>	
Difference Between Expected and Actual Experience	2015	5.72	30,908	
	2016	5.57	10,071	
	2017	5.48	<u>13,918</u>	
			<u>54,897</u>	
			<u>\$ 2,325,567</u>	<u>\$ (467,980)</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities and Pension Expense (Cont'd)

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

Fiscal Year Ending June 30,	Total
2018	\$ 54,885
2019	82,821
2020	50,185
2021	(66,747)
2022	(48,650)
	\$ 72,494

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions:

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 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. 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 Healthy Male and Female Mortality Tables (set back 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 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 disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 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.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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 Pensions 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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

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 contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the 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.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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:

	June 30, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 2,892,291	\$ 2,331,425	\$ 1,864,155

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' 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 to 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.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

The vesting and benefit provisions 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 for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

Tier	Definition
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 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

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th 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 age 62. Service retirement benefits of 1/60th 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 reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her 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.

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 2018, the State's pension contribution was less than the actuarial determined amount.

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.

The employee contribution rate was 7.34% effective July 1, 2017. 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.

During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$199,022, to the TPAF for normal pension benefits on-behalf of the Charter School. The on-behalf pension payments are based on the June 30, 2016 valuation by the Division of Pensions and Benefits, State of New Jersey. As the total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017, a net pension liability for the Charter School was not calculated by the Division of Pensions as the Charter School had not yet been enrolled in the pension system as of the valuation date for the June 30, 2017 GASB 68 report.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. CONTINGENT LIABILITIES

Grant Programs

The Charter School participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The Charter School is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The Charter School is periodically involved in lawsuits and estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially adversely affect the financial position of the Charter School.

Encumbrances

At June 30, 2018, the Charter School had no encumbrances.

NOTE 10. DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by Equitable Financial Companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 11. ECONOMIC DEPENDENCY

The Charter School receives a substantial amount of its support from state, federal and local governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Charter School's programs and activities.

NOTE 12. 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.

The Charter School provides employees with health benefit coverage through the State of New Jersey Health Benefits Plan.

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.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 12. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the Charter School is required to remit employee withholdings to the State on a quarterly basis. All of the Charter School's claims are paid by the State.

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

The following interfund balances remained on the balance sheet at June 30, 2018.

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 21,553	
Food Service Fund		\$ 21,553
	\$ 21,553	\$ 21,553

The interfund payable in the Food Service Fund is the amount of the cash deficit advanced from the General Fund while awaiting federal and state reimbursements. A majority of the transfer from General Fund to the Food Service fund was to cover a deficit which existed due to salary and other related Food Service Expenses.

NOTE 14. CHARTER SCHOOL ESCROW

School districts and charter schools in the State of New Jersey are required to restrict \$75,000 of fund balance for Charter School Escrow, to be utilized in the event of dissolution of the Charter School, within 5 years of the signing of the Charter Agreement. The Charter School has \$75,000 of restricted fund balance for Charter School Escrow as of June 30, 2018.

NOTE 15. ACCOUNTS PAYABLE

Accounts payable recorded in the Charter School's Governmental Activities as of June 30, 2018 consisted of the following:

	<u>Governmental Funds</u>	<u>Total</u>	<u>Proprietary Fund</u>
	General Fund	Governmental Activities	Food Service Fund
Vendors	\$ 678,904	\$ 678,904	\$ 42,808
	\$ 678,904	\$ 678,904	\$ 42,808

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 16. CESSATION OF OPERATIONS

The Charter School lost its charter from the Department of Education, State of New Jersey and ceased operations as of June 30, 2018. A Trustee was selected by the Department of Education whose responsibility is to settle all final bills.

REQUIRED SUPPLEMENTARY SCHEDULES

INTERNATIONAL ACADEMY OF TRENTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FISCAL YEAR
UNAUDITED

	Fiscal Year Ending June 30, 2018
Charter School's proportion of the net pension liability	0.01001540179%
Charter School's proportionate share of the net pension liability	\$ 2,331,425
Charter School's covered employee payroll	\$ 872,409
Charter School's proportionate share of the net pension liability as a percentage of its covered employee payroll	267.24%
Plan fiduciary net position as a percentage of the total pension liability	48.10%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2018.

INTERNATIONAL ACADEMY OF TRENTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FISCAL YEAR
UNAUDITED

	Fiscal Year Ending June 30,	2018
Contractually required contribution	\$	99,143
Contributions in relation to the contractually required contribution	\$	(99,143)
Contribution deficiency/(excess)	\$	-0-
Charter School's covered employee payroll	\$	854,961
Contributions as a percentage of covered employee payroll		11.60%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2018.

INTERNATIONAL ACADEMY OF TRENTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ASSOCIATED WITH THE CHARTER SCHOOL
TEACHERS' PENSION AND ANNUITY FUND
LAST FISCAL YEAR
UNAUDITED

NOT APPLICABLE

INTERNATIONAL ACADEMY OF TRENTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
ASSOCIATED WITH THE CHARTER SCHOOL
TEACHERS' PENSION AND ANNUITY FUND
LAST FISCAL YEAR
UNAUDITED

NOT APPLICABLE

INTERNATIONAL ACADEMY OF TRENTON
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS' PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Revenues:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Levy - Charter School Aid - Local Share	\$ 835,039	\$ (45,650)	\$ 789,389	\$ 789,389	
Miscellaneous Revenue		180,472	180,472	180,472	
Total - Local Sources	835,039	134,822	969,861	969,861	
State Sources:					
Special Education Aid - Charter School Aid Security Aid	224,898 233,038	(44,797) (46,117)	180,101 186,921	180,101 186,921	
Local Levy - Charter School Aid - State Share Adjustment Aid	7,277,400	(414,554) 429,573	6,862,846 429,573	6,862,846 429,573	
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				131,663	\$ 131,663
On-Behalf TPAF Pension Contributions (Non-Budgeted)				199,022	199,022
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				4,830	4,830
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				1,653	1,653
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				131,095	131,095
Total State Sources	7,735,336	(75,895)	7,659,441	8,127,704	468,263
Total Revenues	8,570,375	58,927	8,629,302	9,097,565	468,263
Expenditures:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	212,625	(120,955)	91,670	72,247	19,423
Grades 1-5 - Salaries of Teachers	1,774,462	(157,147)	1,617,315	1,524,463	92,852
Grades 6-8 - Salaries of Teachers		44,260	44,260	23,143	21,117
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	247,916	72,000	319,916	244,150	75,766
Purchased Professional/Technical Services	745,630	117,884	863,514	863,514	
General Supplies	125,000	28,934	153,934	148,441	5,493
Textbooks	200,000	121,343	321,343	317,140	4,203
Miscellaneous Expenses		14,334	14,334	13,454	880
Total Regular Programs - Instruction	3,305,633	120,653	3,426,286	3,206,552	219,734

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 390,023	\$ (177,260)	\$ 212,763	\$ 209,064	\$ 3,699
Other Salaries for Instruction	124,261	(115,343)	8,918	2,987	5,931
Total Resource Room/Resource Center	<u>514,284</u>	<u>(292,603)</u>	<u>221,681</u>	<u>212,051</u>	<u>9,630</u>
Total Special Education Instruction	<u>514,284</u>	<u>(292,603)</u>	<u>221,681</u>	<u>212,051</u>	<u>9,630</u>
Total Instruction	<u>3,819,917</u>	<u>(171,950)</u>	<u>3,647,967</u>	<u>3,418,603</u>	<u>229,364</u>
Undistributed Expenditures:					
Health Services:					
Salaries	70,203	(31,288)	38,915	38,915	
Purchased Professional/Technincal Services		21,531	21,531	21,531	
Supplies and Materials		2,526	2,526	2,526	
Total Health Services	<u>70,203</u>	<u>(7,231)</u>	<u>62,972</u>	<u>62,972</u>	
Guidance:					
Salaries	103,000	(57,500)	45,500	41,606	3,894
Total Guidance	<u>103,000</u>	<u>(57,500)</u>	<u>45,500</u>	<u>41,606</u>	<u>3,894</u>
Child Study Team:					
Salaries of Other Professional Staff	109,813	(44,410)	65,403	65,403	
Purchased Professional /Technical Services		233,960	233,960	233,960	
Total Child Study Team	<u>109,813</u>	<u>189,550</u>	<u>299,363</u>	<u>299,363</u>	

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Improvement of Instruction Services:					
Purchased Professional Educational Services	\$ 4,500	\$ 4,500	\$ 4,500	\$ 1,800	\$ 2,700
Total Improvement of Instruction Services	4,500	4,500	4,500	1,800	2,700
General Administration:					
Salaries of Other Professional Staff	19,281		19,281	19,281	
Legal Services	125,000	277,210	402,210	402,210	
Audit Fees	25,000	13,802	38,802	38,802	
Other Purchased Professional Services	514,223	1,153	515,376	482,840	32,536
Communications/Telephone	40,000	(15,351)	24,649	23,464	1,185
BOE Other Purchased Services	26,118	(16,778)	9,340	8,656	684
Miscellaneous Purchased Services		6,525	6,525	6,525	
Supplies and Materials		56,048	56,048	54,691	1,357
Miscellaneous Expenditures		41,045	41,045	41,045	
BOE Membership Dues and Fees		8,076	8,076	8,076	
Total General Administration	730,341	391,011	1,121,352	1,085,590	35,762
School Administration:					
Salaries of Principals/Assistant Principals	355,000	(77,260)	277,740	269,681	8,059
Salaries of Secretarial and Clerical Assistants		224	224	224	
Supplies and Materials	37,200	(29,326)	7,874	7,874	
Total School Administration	392,200	(106,362)	285,838	277,779	8,059

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 389,854	\$ 74,611	\$ 464,465	\$ 464,465	
Purchased Professional and Technical Services	145,307	4,368	149,675	149,134	\$ 541
Supplies and Materials	10,000	(9,815)	185	185	
Miscellaneous Expenditures		92	92	92	
Total Central Services	545,161	69,256	614,417	613,876	541
Required Maintenance for School Facilities					
General Supplies	75,000	(31,321)	43,679	4,545	39,134
Total Required Maintenance for School Facilities	75,000	(31,321)	43,679	4,545	39,134
Custodial Services:					
Salaries	177,465	429	177,894	164,371	13,523
Purchased Professional and Technical Services		191,867	191,867	178,429	13,438
Cleaning, Repair and Maintenance Services	152,000	7,584	159,584	150,303	9,281
Rental of Land & Building	1,684,904	72,704	1,757,608	1,741,687	15,921
Other Purchased Property Services		8,000	8,000	7,889	111
Insurance	65,000	15,671	80,671	80,671	
General Supplies		30,692	30,692	30,692	
Energy (Electricity)	150,000	(6,000)	144,000	127,002	16,998
Total Custodial Services	2,229,369	320,947	2,550,316	2,481,044	69,272
Security:					
Salaries	63,000		63,000		63,000
Total Security	63,000		63,000		63,000

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

Expenditures:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Student Transportation Services:					
Other than Between Home and School - Vendors	\$ 5,096	\$ 5,096	\$ 5,096	\$ 5,096	
Total Student Transportation Services		5,096	5,096	5,096	
Unallocated Employee Benefits:					
Group Insurance		256	256	256	
Social Security Contributions	\$ 130,000	15,534	145,534	119,349	\$ 26,185
Other Retirement Contribution - Regular		115	115	115	
Other Retirement Contributions - PERS	75,000	192,765	267,765	267,765	
Unemployment Compensation	30,000	42,773	72,773	72,773	
Workmen's Compensation	100,000	17,271	117,271	117,271	
Health Benefits	1,200,000	(894,120)	305,880	305,880	
Total Unallocated Benefits	1,535,000	(625,406)	909,594	883,409	26,185
On-Behalf Contributions: (Non-Budgeted)					
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				131,663	(131,663)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				199,022	(199,022)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				4,830	(4,830)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				1,653	(1,653)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				131,095	(131,095)
Total On-Behalf Contributions				468,263	(468,263)
Capital Outlay:					
Equipment:					
Undistributed Expenditures:					
Instructional Equipment	62,000		62,000	39,345	22,655
Non Instructional Equipment	39,250		39,250	39,250	39,250
Total Equipment	101,250		101,250	39,345	61,905

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Expenditures:					
Facilities Acquisition and Construction Services:					
Other Objects	\$ 15,000		\$ 15,000		
Total Facilities Acquisition and Construction Services	15,000		15,000		
Total Capital Outlay	116,250		116,250	\$ 39,345	\$ 61,905
Total Expenditures	9,789,254	\$ (19,410)	9,769,844	9,683,291	71,553
Excess/(Deficit) of Revenues Over/(Under) Expenditures	(1,218,879)	78,337	(1,140,542)	(585,726)	554,816
Other Financing Sources/(Uses):					
Transfer In - Student Activities				880	880
Transfer out - Food Service Fund	(65,931)	(19,409)	(85,340)	(65,077)	20,263
Total Other Financing Uses	(65,931)	(19,409)	(85,340)	(64,197)	21,143
Excess/(Deficit) of Revenues Over/(Under) Expenditures and Other Financing Uses	(1,284,810)	58,928	(1,225,882)	(649,923)	575,959
Fund Balance, July 1	1,502,172	- 0 -	1,502,172	1,502,172	- 0 -
Fund Balance, June 30	\$ 217,362	\$ 58,928	\$ 276,290	\$ 852,249	\$ 575,959
Restricted:					
Charter School Escrow				\$ 75,000	
Unassigned				777,249	
Fund Balance per Governmental Funds GAAP/Budgetary Basis				\$ 852,249	

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenue:					
Federal Sources	\$ 421,905	\$ 40,459	\$ 462,364	\$ 462,364	
Total Revenue	421,905	40,459	462,364	462,364	
Expenditures:					
Instruction:					
Salaries of Teachers	329,016	18,534	347,550	347,550	
General Supplies		10,000	10,000	10,000	
Total Instruction	329,016	28,534	357,550	357,550	
Support Services:					
Salaries of Other Professional Staff		11,750	11,750	11,750	
Personal Services - Employee Benefits	92,889	(54,342)	38,547	38,547	
Purchased Professional/Technical Services		41,517	41,517	41,517	
Other Purchased Services		11,800	11,800	11,800	
Supplies and Materials		1,200	1,200	1,200	
Total Support Services	92,889	11,925	104,814	104,814	
Total Expenditures	421,905	40,459	462,364	462,364	
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 (UNAUDITED)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,097,565	\$ 462,364
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 9,097,565</u>	<u>\$ 462,364</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,683,291	\$ 462,364
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 9,683,291</u>	<u>\$ 462,364</u>

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Trustees. Budgets are prepared using the modified accrual basis of accounting. The legal level budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest of (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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary 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).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Elementary and Secondary Education Act</u>				
	<u>Title II</u>		<u>Title IV</u>	<u>IDEA Part B</u>	<u>Totals</u>
	<u>Title I</u>	<u>Part A</u>		<u>Basic</u>	<u>June 30, 2018</u>
REVENUE:					
Federal Sources	\$ 298,312	\$ 39,717	\$ 10,000	\$ 114,335	\$ 462,364
Total Revenue	298,312	39,717	10,000	114,335	462,364
EXPENDITURES:					
Instruction:					
Salaries of Teachers	246,300		9,250	92,000	347,550
General Supplies	10,000				10,000
Total Instruction	256,300		9,250	92,000	357,550
Support Services:					
Salaries of Other Professional Staff	4,750	7,000			11,750
Personal Services - Employee Benefits	37,262	535	750		38,547
Purchased Professional and Technical Services		19,182		22,335	41,517
Other Purchased Services		11,800			11,800
Supplies and Materials		1,200			1,200
Total Support Services	42,012	39,717	750	22,335	104,814
Total Expenditures	\$ 298,312	\$ 39,717	\$ 10,000	\$ 114,335	\$ 462,364

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:

Intergovernmental Accounts Receivable:

State		\$	942
Federal			83,682
			83,682

Total Current Assets

84,624

Total Assets

84,624

LIABILITIES:

Current Liabilities:

Accounts Payable - Vendors			42,808
Interfund Payable - General Fund			41,816
			41,816

Total Current Liabilities

84,624

NET POSITION:

Unrestricted

- 0 -

Total Net Position

\$ - 0 -

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Expenses:	
Cost of Sales - Reimbursable Programs	\$ 401,597
Salaries, Benefits & Payroll Taxes	85,340
	<hr/>
Total Operating Expenses	486,937
	<hr/>
Operating Loss	(486,937)
	<hr/>
Non-Operating Income:	
State Sources:	
State School Lunch Program	5,435
Federal Sources:	
National School Lunch Program	334,339
School Breakfast Program	97,849
	<hr/>
Total Non-Operating Income	437,623
	<hr/>
Change in Net Position	(49,314)
	<hr/>
Transfer In - General Fund	65,077
	<hr/>
Change in Net Position After Transfer	15,763
	<hr/>
Other Items:	
Cancellation of Intergovernmental Accounts Receivable:	
State	(245)
Federal	(17,500)
	<hr/>
Total Other Items	(17,745)
	<hr/>
Change in Net Position After Other Items	(1,982)
	<hr/>
Net Position - Beginning of Year	1,982
	<hr/>
Net Position - End of Year	\$ - 0 -
	<hr/> <hr/>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Payments to Food Service Vendor	\$ (363,278)
Payments to Other Suppliers	(85,340)
	<hr/>
Net Cash Used for Operating Activities	(448,618)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program - Received in Food Service Fund	5,755
Federal Sources:	
National School Lunch Program - Received in Food Service Fund	92,652
School Breakfast Program - Received in Food Service Fund	340,275
Transfer from General Fund	9,936
	<hr/>
Net Cash Provided by Noncapital Financing Activities	448,618
	<hr/>
Net Increase in Cash and Cash Equivalents	- 0 -
	<hr/>
Cash and Cash Equivalents, July 1	- 0 -
	<hr/>
Cash and Cash Equivalents, June 30	\$ - 0 -
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (486,937)
Adjustment to Reconcile Operating Loss to Cash Net Used for Operating Activities:	
Increase in Accounts Payable	38,319
	<hr/>
Net Cash Used for Operating Activities	\$ (448,618)
	<hr/> <hr/>

FIDUCIARY FUNDS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Student Activities	Agency Payroll Agency	Total
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 880	\$ 35,803	\$ 36,683
Total Assets	880	35,803	36,683
<u>LIABILITIES:</u>			
Interfund Payable - General Fund	880		880
Payroll Deductions and Withholdings		35,803	35,803
Total Liabilities	880	35,803	36,683
<u>NET POSITION:</u>			
Total Net Position	\$ - 0 -	\$ - 0 -	\$ - 0 -

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 880	\$ 1,024	\$ 1,024	\$ 880
Total Assets	<u>\$ 880</u>	<u>\$ 1,024</u>	<u>\$ 1,024</u>	<u>\$ 880</u>
 <u>LIABILITIES:</u>				
Interfund Payable - General Fund		\$ 880		\$ 880
Due to Student Groups	\$ 880	144	\$ 1,024	
Total Liabilities	<u>\$ 880</u>	<u>\$ 1,024</u>	<u>\$ 1,024</u>	<u>\$ 880</u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
International Academy of Trenton Charter School	<u>\$ 880</u>	<u>\$ 1,024</u>	<u>\$ 1,024</u>	<u>\$ 880</u>
	<u><u>\$ 880</u></u>	<u><u>\$ 1,024</u></u>	<u><u>\$ 1,024</u></u>	<u><u>\$ 880</u></u>

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 31,100	\$ 4,167,666	\$ 4,162,963	\$ 35,803
Total Assets	<u>\$ 31,100</u>	<u>\$ 4,167,666</u>	<u>\$ 4,162,963</u>	<u>\$ 35,803</u>
 <u>LIABILITIES:</u>				
Payroll Deductions and Withholdings:	\$ 31,100	4,167,666	\$ 4,162,963	\$ 35,803
Total Liabilities	<u>\$ 31,100</u>	<u>\$ 4,167,666</u>	<u>\$ 4,162,963</u>	<u>\$ 35,803</u>

LONG-TERM DEBT
(NOT APPLICABLE)

STATISTICAL SECTION
(UNAUDITED)

This part of the Charter School’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Charter School’s overall financial health.

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. J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Charter School's ability to generate its property taxes. J-6 thru J-9

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 School's ability to issue additional debt in the future. J-10 thru J-13

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 and to help make comparisons over time and with other governments. J-14 thru J-15

Operating Information

These schedules contain information about the Charter School's operations and resources to help the reader understand how the Charter School's financial information relates to the services the Charter School provides and the activities it performs. J-16 thru J-21

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NET POSITION BY COMPONENT
LAST FOUR FISCAL YEARS
(UNAUDITED)
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Governmental Activities:				
Investment in Capital Assets		\$ 53,200		
Restricted		75,000	\$ 75,000	\$ 75,000
Unrestricted	\$ 1,142,061	1,959,180	1,427,172	282,268
Total Governmental Activities Net Position	<u>\$ 1,142,061</u>	<u>\$ 2,087,380</u>	<u>\$ 1,502,172</u>	<u>\$ 357,268</u>
Business-Type Activities:				
Unrestricted		\$ 1,628	\$ 1,982	\$ 38,008
Total Business-Type Activities Net Position		<u>\$ 1,628</u>	<u>\$ 1,982</u>	<u>\$ 38,008</u>
Charter School-Wide				
Investment in Capital Assets		\$ 53,200		
Restricted		75,000	\$ 75,000	\$ 75,000
Unrestricted/(Deficit)	\$ 1,142,061	1,960,808	1,429,154	320,276
Total Charter School-Wide Net Position	<u>\$ 1,142,061</u>	<u>\$ 2,089,008</u>	<u>\$ 1,504,154</u>	<u>\$ 395,276</u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
LAST FOUR FISCAL YEARS
(UNAUDITED)
(Accrual Basis of Accounting)

Expenses:	For Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Governmental Activities:				
Instruction:				
Regular	\$ 2,044,330	\$ 2,621,822	\$ 3,502,239	\$ 5,334,678
Special Education	249,621	289,387	406,856	420,111
Support Services:				
Student & Instruction Related Services	241,431	248,769	487,431	468,839
General Administration Services	423,654	789,855	1,049,106	1,198,702
School Administration Services	308,978	255,781	295,616	394,482
Central Services	642,154	557,910	661,637	814,710
Plant Operations And Maintenance	385,153	830,999	1,305,886	2,556,595
Pupil Transportation		1,730	415	5,096
Capital Outlay			183,306	
Total Governmental Activities Expenses	4,295,321	5,596,253	7,892,492	11,193,213
Business-Type Activities:				
Food Service Program	180,676	249,151	410,477	486,937
Total Business-Type Activities Expenses	180,676	249,151	410,477	486,937
Total Charter School-Wide Expenses	4,475,997	5,845,404	8,302,969	11,680,150
Program Revenues:				
Governmental Activities:				
Operating Grants and Contributions	780,517	919,166	871,910	1,871,369
Total Governmental Activities Program Revenues	780,517	919,166	871,910	1,871,369
Business-Type Activities:				
Charges for Services	5,542			
Operating Grants and Contributions	156,910	250,616	287,597	437,623
Total Business-Type Activities Program Revenues	162,452	250,616	287,597	437,623
Total Charter School-Wide Program Revenues	942,969	1,169,782	1,159,507	2,308,992
Net (Expenses)/Revenue				
Governmental Activities	(3,514,804)	(4,677,087)	(7,020,582)	(9,321,844)
Business-Type Activities	(18,224)	1,465	(122,880)	(49,314)
Total Charter School-Wide Net (Expenses)/Revenue	(3,533,028)	(4,675,622)	(7,143,462)	(9,371,158)

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
REVENUES, EXPENSES AND CHANGES IN NET POSITION
LAST FOUR FISCAL YEARS
(UNAUDITED)
(Accrual Basis of Accounting)

	For Fiscal Year Ending June 30,			
	2015	2016	2017	2018
General Revenues and Other Changes in Net Position:				
Governmental Activities:				
Local Property Taxes - Charter School Aid	\$ 4,664,391	\$ 5,571,886	\$ 6,491,817	\$ 8,081,808
Miscellaneous Income	10,618	50,520	66,791	180,472
Transfers	(18,144)		(123,234)	(85,340)
Total Governmental Activities General Revenues & Other Changes	<u>4,656,865</u>	<u>5,622,406</u>	<u>6,435,374</u>	<u>8,176,940</u>
Business-Type Activities:				
Investment Earnings	80	163		
Transfers	18,144		123,234	85,340
Total Business-Type Activities General Revenues & Other Changes	<u>18,224</u>	<u>163</u>	<u>123,234</u>	<u>85,340</u>
 Total Charter School-Wide General Revenues & Other Changes in Net Position	 <u>4,675,089</u>	 <u>5,622,569</u>	 <u>6,558,608</u>	 <u>8,262,280</u>
 Change in Net Position:				
Governmental Activities	1,142,061	945,319	(585,208)	(1,144,904)
Business-Type Activities	- 0 -	1,628	354	36,026
 Total Charter School-Wide Change in Net Position	 <u>\$ 1,142,061</u>	 <u>\$ 946,947</u>	 <u>\$ (584,854)</u>	 <u>\$ (1,108,878)</u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS
(UNAUDITED)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
General Fund:				
Restricted		\$ 75,000	\$ 75,000	\$ 75,000
Assigned	\$ 456			
Unassigned	1,141,605	1,959,180	1,427,172	756,106
Total General Fund	1,142,061	2,034,180	1,502,172	831,106
Total Governmental Funds	<u>\$ 1,142,061</u>	<u>\$ 2,034,180</u>	<u>\$ 1,502,172</u>	<u>\$ 831,106</u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

(UNAUDITED)

(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Revenues:				
Local Tax Levy	\$ 486,993	\$ 565,563	\$ 674,441	\$ 789,389
Miscellaneous	10,618	50,520	6,040	180,472
State Sources	4,418,608	5,319,090	6,325,468	8,127,704
Federal Sources	539,307	606,399	424,569	462,364
Total Revenue	<u>5,455,526</u>	<u>6,541,572</u>	<u>7,430,518</u>	<u>9,559,929</u>
Expenditures:				
Instruction:				
Regular Instruction	1,572,909	2,355,864	3,032,318	3,554,102
Special Education Instruction	184,530	259,755	353,481	222,051
Support Services and Undistributed Costs:				
Student & Instruction Related Services	186,704	225,273	444,668	405,741
General Administration Services	295,722	777,185	1,009,275	1,190,404
School Administration Services	282,515	216,477	250,180	277,779
Central Services	642,154	499,147	569,527	613,876
Plant Operations And Maintenance	374,546	819,584	1,284,505	2,485,589
Pupil Transportation		1,730	415	5,096
Benefits - Allocated and Unallocated	279,135	427,938	764,817	1,351,672
Capital Outlay	477,106	66,500	130,106	39,345
Total Expenditures	<u>4,295,321</u>	<u>5,649,453</u>	<u>7,839,292</u>	<u>10,145,655</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>1,160,205</u>	<u>892,119</u>	<u>(408,774)</u>	<u>(585,726)</u>
Other Financing Uses:				
Transfer to Food Service Fund	<u>(18,144)</u>		<u>(123,234)</u>	<u>(85,340)</u>
Net Change In Fund Balances	<u>\$ 1,142,061</u>	<u>\$ 892,119</u>	<u>\$ (532,008)</u>	<u>\$ (671,066)</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE

LAST FOUR FISCAL YEARS

(UNAUDITED)

(Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30,	Interest on Investments	Local Levy - Charter School Aid	Other	Total
2015	\$ 4	\$ 486,993	\$ 10,614	\$ 497,611
2016		565,563	50,520	616,083
2017		674,441	66,791	741,232
2018		789,389	180,472	969,861

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Financial Reports.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(UNAUDITED)

Year	Mercer County Population ^a	Mercer County Per Capita Personal Income ^b	Mercer County Personal Income ^c	Mercer County Unemployment Rate ^d
2009	366,222	\$ 52,774	\$ 19,326,999,828	12.10%
2010	367,930	53,120	19,544,441,600	9.60%
2011	368,201	56,378	20,758,435,978	13.10%
2012	370,419	58,897	21,816,567,843	12.80%
2013	372,337	57,622	21,454,802,614	12.60%
2014	372,974	61,046	22,768,570,804	10.90%
2015	373,104	62,508	23,321,984,832	4.80%
2016	373,660	63,247	23,632,874,020	4.30%
2017	374,733	63,247 **	23,700,738,051 **	4.10%
2018	374,733 *	63,247 **	23,700,738,051 **	N/A

N/A - Information is not available.

* - Latest Mercer County population (2017) available was used for calculation purposes.

** - Latest Mercer County per capita personal income available (2016) was used for calculation purposes.

Sources:

^a Population information provided by the NJ Department of Labor and Workforce Development.

^b Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^c Personal income has been estimated based upon the municipal population and per capita personal income presented.

^d Unemployment data provided by the NJ Department of Labor and Workforce Development.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
PRINCIPAL EMPLOYERS - MERCER COUNTY
CURRENT YEAR AND NINE YEARS AGO
 (UNAUDITED)

	2017			2008		
	Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
Trustees of Princeton University		13,055	6.83%	Trustees of Princeton University	5,245	2.75%
Covance		11,800	6.17%	University Medical Center at Princeton	2,500	1.31%
NRG Energy		5,193	2.72%	Princeton Public Schools	625	5.99%
Bristol-Meyers Squibb		4,484	2.35%	Church & Dwight Co.	600	0.32%
Integra Life Sciences		3,400	1.78%	Princeton Plasma Physics Lab	485	0.25%
Capital Health System		3,250	1.70%	Princeton Theological Seminary	280	0.15%
Educational Testing Services ETS		3,000	1.57%	Princeton Packet	200	0.11%
Church & Dwight Co.		2,750	1.44%	Westminster Choir College - Rider	200	0.11%
Princeton Healthcare System		2,450	1.28%	Westminster Conservatory	160	0.08%
Princeton Public Schools		732	0.38%	Princeton Township	140	0.07%
		<u>50,114</u>	<u>26.22%</u>		<u>10,435</u>	<u>11.14%</u>
Total Employment - Mercer County		<u>191,137</u>		Total Employment - Mercer County	<u>190,470</u>	

Source: Mercer County, Department of Administration and Finance.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FOUR FISCAL YEARS
(UNAUDITED)

<u>Function/Program</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction:				
Regular	19.0	27.0	29.0	N/A
Other Instruction	11.0	15.0	17.0	N/A
Support Services:				
General Administration Services	2.0	4.0	5.0	N/A
School Administration Services	4.0	4.0	5.0	N/A
Central Services	1.0	4.0	10.0	N/A
Administrative Information Technology	1.0	1.0	1.0	N/A
Plant Operations and Maintenance	2.0	2.0	3.0	N/A
Total	<u>40.0</u>	<u>57.0</u>	<u>70.0</u>	

N/A - Information is not available.

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Business Office.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
OPERATING STATISTICS
LAST FOUR FISCAL YEARS
 (UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^b	Percent Change	Teaching Staff ^c	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change Average Daily Enrollment	Student Attendance Percentage
						Elem.	Ratio				
2015	353.0	\$ 3,818,215	\$ 10,816	100.00%	19.0	18.6	353.0	325.6	N/A		92.24%
2016	440.2	5,582,953	12,683	46.22%	27.0	16.3	440.0	415.7	24.65%		94.48%
2017	551.1	7,709,186	13,989	38.08%	29.0	18.6	540.7	510	22.89%		94.32%
2018	687.9	10,106,310	14,692	31.09%	N/A	N/A	N/A	N/A	N/A		N/A

Note: Enrollment is based on the annual October District count.

- ^a Operating expenditures equal total expenditures less debt service and capital outlay.
- ^b Cost per pupil is calculated based upon enrollment and operating expenditures presented and may not be the same as other cost per pupil calculi.
- ^c Teaching staff includes only full-time equivalents of certificated staff.
- ^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

N/A - Information is not available.

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School Business Office.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHOOL BUILDING INFORMATION
LAST FOUR FISCAL YEARS
(UNAUDITED)

<u>District Building</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
International Academy of Trenton				
Square Feet	27,900	44,745	77,870	77,870
Capacity (Students)	400	450	1,122	1,122
Enrollment	353	440	551	688

Number of Schools at June 30, 2018:

Other = 1

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Note: Enrollment is based on the annual October District count.

Source: International Academy of Trenton Charter School Business Office.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
INSURANCE SCHEDULE
JUNE 30, 2018
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Wells Fargo:		
Property:		
Building - Each Occurrence	\$ 4,991,751	\$ 5,000
Data Breach - Each Occurrence	10,000	1,000
Emergency Event - Each Occurrence	30,000	
Emergency Breakdown - Each Occurrence	100,000	
Gold Property Endorsement - Each Occurrence	2,000,000	500
General Liability		
Each Occurrence	3,000,000	
Employee Benefits Liability:		
Each Occurrence	3,000,000	1,000
School and Educators Legal Liability:		
Each Occurrence	3,000,000	5,000
Business Automobile:		
Each Occurrence	1,000,000	500
Crime Bond:		
Each Occurrence	500,000	5,000
Worker's Compensation:		
Each Occurrence	500,000	
Public Official Bond - Hanover Insurance Company		
School Business Administrator	180,000	

Source: International Academy of Trenton Charter School Business Office.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
FINANCIAL PERFORMANCE - GOVERNMENTAL ACTIVITIES
LAST THREE FISCAL YEARS
(UNAUDITED)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Cash	\$ 1,359,426	\$ 700,859	\$ 1,560,106	\$ 1,058,008
Current Assets	23,577	1,398,490	406,095	723,980
Capital Assets, Net		53,200		
Total Assets	<u>1,383,003</u>	<u>2,152,549</u>	<u>1,966,201</u>	<u>1,781,988</u>
Deferred Outflows of Resources				<u>2,325,567</u>
Current Liabilities	240,942	65,169	464,029	929,739
Long Term Liabilities				2,331,425
Total Liabilities	<u>240,942</u>	<u>65,169</u>	<u>464,029</u>	<u>3,261,164</u>
Deferred Outflows of Resources				<u>467,980</u>
Net Position	<u>\$ 1,142,061</u>	<u>\$ 2,087,380</u>	<u>\$ 1,502,172</u>	<u>\$ 378,411</u>
Total Revenue	\$ 4,656,865	\$ 5,622,406	\$ 7,368,035	\$ 10,069,452
Total Expenses	3,514,804	4,677,087	7,953,243	11,193,213
Change in Net Position	<u>\$ 1,142,061</u>	<u>\$ 945,319</u>	<u>\$ (585,208)</u>	<u>\$ (1,123,761)</u>
Final Average Daily Enrollment	353	440	541	N/A
March 30th Budgeted Enrollment	353	440	541	N/A
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Near Term Indicators:				
Current Ratio	0.10	21.46	0.88	0.78
Unrestricted Days Cash	358.78	118.84	289.61	216.71
Enrollment Variance	0.00%	0.00%	0.00%	N/A
Default	No	No	No	No
Sustainability Indicators:				
Total Margin	24.52%	16.81%	-7.94%	-11.16%
Debt to Asset	0.17	0.03	0.24	1.83
Cash Flow	\$ 1,359,426	\$ (658,567)	\$ 859,247	\$ (502,098)
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A

N/A - Information is not available.

This schedule does not contain ten years of information as the International Academy of Trenton Charter School was established during the fiscal year ending June 30, 2015.

Source: International Academy of Trenton Charter School records.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

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

The Honorable Justice James R. Zazzali
International Academy of Trenton Charter School
County of Mercer, New Jersey

We were engaged to audit, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the International Academy of Trenton Charter School, in the County of Mercer (the "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, and have issued our report thereon dated November 5, 2019. Our audit disclaims an opinion on the business-type activities and the proprietary funds financial statements because the Charter School ceased operations as of June 30, 2018 and the meal counts records supporting the non-operating federal revenues for the National School Lunch Program and the School Breakfast Program were not available for audit review.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Charter School, 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 a reasonable possibility that a material misstatement of the Charter School'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.

The Honorable Justice James R. Zazzali
International Academy of Trenton Charter School
Page 2

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 weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-001 and 2018-002 that we consider to be material weaknesses.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Charter School, 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 engagement, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-001 and 2018-002. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the business-type activities and the proprietary funds financial statements other instances of noncompliance or other matters may have been identified and reported herein.

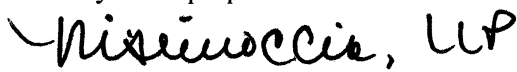
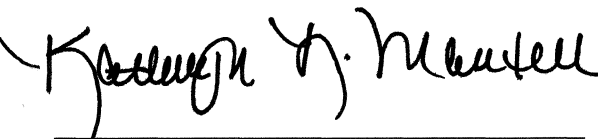
The Charter School's Responses to the Findings

The Charter School's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 5, 2019
Mount Arlington, New Jersey


NISIVOCCIA LLP


Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Center
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major Federal and State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable Justice James R. Zazzali
International Academy of Trenton Charter School
County of Mercer, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the International Academy of Trenton Charter School's (the "Charter School's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state and federal programs for the fiscal year ended June 30, 2018. The Charter School's major state and federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state and federal 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's OMB 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 referred to above that could have a direct and material effect on major state and federal programs 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 disclaimer of opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Charter School's compliance.

The Honorable Justice James R. Zazzali
International Academy of Trenton Charter School
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Basis for Disclaimer of Opinion on the State Aid - Public Major State Programs and Child Nutrition Cluster Major Federal Program

As described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-001 and 2018-002, the State Aid - Public – major state program and the Child Nutrition Program Cluster major federal program have not been audited because the Charter School ceased operations as of June 30, 2018 and the records supporting the enrollment records related to the State Aid - Public major state program and the meal counts for the Child Nutrition Cluster major federal program were not available for audit review. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the business-type activities and the proprietary funds financial statements other instances of noncompliance or other matters may have been identified and reported herein.

Disclaimer of Opinion on the State Aid - Public Major State Programs and Child Nutrition Cluster Major Federal Program

Because of the significance of the matters described in the *Basis for Disclaimer of Opinion on the State Aid - Public Major State Programs and Child Nutrition Cluster Major Federal Program* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for opinions on State Aid - Public – major state program and the Child Nutrition Program Cluster major federal program Accordingly, we do not express opinions on these programs.

The Charter School's response to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In connection with our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Honorable Justice James R. Zazzali
International Academy of Trenton Charter School
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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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as Findings 2018-001 and 2018-002, that we consider to be material weaknesses.

The Charter School's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Charter School's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Nisivoccia, LLP

NISIVOCCIA LLP

November 5, 2019
Mount Arlington, New Jersey

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE PERIOD ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2017		Cash Received	Budgetary Expenditures	Cancelled	Balance, June 30, 2018		
					Budgetary Accounts Receivable	Award Amount				Budgetary Accounts Receivable	Due to Grantor	
Special Revenue Fund:												
US Department of Education Passed-through State of New Jersey Department of Education Special Education Cluster:												
	84.027	IDEA6182-18	7/1/17-6/30/18	\$ 114,335		\$ 114,335	\$ (114,335)					
	84.027	IDEA6182-17	7/1/16-6/30/17	84,145	\$ (84,145)	84,145						
	84.027	IDEA6182-16	7/1/15-6/30/16	84,347	(12,876)	12,876						
Total Special Education Cluster												
					(97,021)	211,356	(114,335)					
Elementary and Secondary Education Act:												
Title I - Part A												
	84.010A	ESEA6182-18	7/1/17-6/30/18	298,312		298,312	(298,312)					
	84.010A	NCLB6182-17	7/1/16-6/30/17	289,214	(127,317)	127,317						
	84.010A	ESEA6182-18	7/1/17-6/30/18	199,274		199,274				\$ 199,274		
	84.367A	ESEA6182-18	7/1/17-6/30/18	39,717		39,717	(39,717)					
	84.367A	NCLB6182-17	7/1/16-6/30/17	1,317	(667)	667						
	84.168A	ESEA7850-18	7/1/17-6/30/18	10,000		10,000	(10,000)					
Total Special Revenue Fund												
					(225,005)	886,643	(462,364)				199,274	
Enterprise Fund:												
U.S. Department of Agriculture Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
	10.553	N/A	7/1/17-6/30/18	97,849		72,973	(97,849)			\$ (24,876)		
	10.553	N/A	7/1/16-6/30/17	71,190	(19,679)	19,679						
	10.553	N/A	7/1/15-6/30/16	47,028	(3,530)				\$ 3,530			
	10.555	N/A	7/1/17-6/30/18	334,339		275,533	(334,339)			(58,806)		
	10.555	N/A	7/1/16-6/30/17	212,270	(64,742)	64,742						
	10.555	N/A	7/1/15-6/30/16	200,073	(13,970)				13,970			
Total Enterprise Fund												
					(101,921)	432,927	(432,188)			17,500	(83,682)	
Total Federal Awards												
					\$ (326,926)	\$ 1,319,570	\$ (894,552)		\$ 17,500	\$ (83,682)	\$ 199,274	
											\$ - 0 -	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE PERIOD ENDED JUNE 30, 2018

State Grantor/Program Title	Project Number	Grant Period	Award Amount	June 30, 2017		Cash Received	Budgetary Expenditures	Cancelled	Paid to Grantor	MEMO		
				Due to (Accounts Receivable)						June 30, 2018	Budgetary Receivable	Cumulative Total Expenditures
				Grantor	Receivable					GAAP Receivable		
State Department of Education:												
General Fund:												
Local Levy - State Share	18-495-034-7850-003	7/01/17-6/30/18	\$ 6,862,846			\$ 6,690,778	\$ (6,862,846)			\$ (172,068)	\$ (172,068)	\$ 6,862,846
Special Education Aid	18-495-034-5120-089	7/01/17-6/30/18	180,101			9,195	(180,101)			(170,906)	(170,906)	180,101
Security Aid	18-495-034-5120-084	7/01/17-6/30/18	186,921			6,887	(186,921)			(180,034)	(180,034)	186,921
Adjustment Aid	18-495-034-5120-085	7/01/17-6/30/18	429,573			420,786	(429,573)			(8,787)	(8,787)	429,573
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/01/17-6/30/18	131,095			118,115	(131,095)			(12,980)	(12,980)	131,095
Local Levy - State Share	17-495-034-7850-003	7/01/16-6/30/17	5,817,376	\$ 210,078					\$ (210,078)			5,607,298
Special Education Aid	17-495-034-5120-089	7/01/16-6/30/17	145,613	4,923					(4,923)			140,690
Security Aid	17-495-034-5120-084	7/01/16-6/30/17	188,790	6,457					(6,457)			182,333
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/01/16-6/30/17	112,937		\$ (13,085)	13,085						112,937
Local Levy - State Share	16-495-034-7850-003	7/01/15-6/30/16	5,006,323		(4,685)	4,685						5,006,323
Special Education Aid	16-495-034-5120-089	7/01/15-6/30/16	180,146		(98)	98						180,146
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/01/17-6/30/18	131,663			131,663	(131,663)					131,663
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/01/17-6/30/18	199,022			199,022	(199,022)					199,022
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/01/17-6/30/18	4,830			4,830	(4,830)					4,830
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/01/17-6/30/18	1,653			1,653	(1,653)					1,653
Total General Fund			221,458	(17,868)		7,600,797	(8,127,704)		(221,458)	(544,775)	(544,775)	19,357,431
Enterprise Fund:												
State School Lunch Program	18-100-010-3350-023	7/01/17-6/30/18	5,435			4,493	(5,435)			(942)	(942)	5,435
State School Lunch Program	17-100-010-3350-023	7/01/16-6/30/17	4,137		(1,262)	1,262						4,137
State School Lunch Program	16-100-010-3350-023	7/01/15-6/30/16	3,516		(245)			\$ 245				3,516
Total Enterprise Fund						5,755	(5,435)	245		(942)	(942)	13,088
Total State Awards Subject to Single Audit Determination												
			\$ 221,458	\$ (19,375)		\$ 7,606,552	(8,133,139)	\$ 245	\$ (221,458)	\$ (545,717)	\$ (545,717)	\$ 19,370,519
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/01/17-6/30/18	(131,663)				131,663					
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/01/17-6/30/18	(199,022)				199,022					
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/01/17-6/30/18	(4,830)				4,830					
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/01/17-6/30/18	(1,653)				1,653					
Subtotal - On-Behalf TPAF Pension System Contributions			<u>337,168</u>									
Total State Awards Subject to Single Audit Major Program Determination												
			\$ (795,971)									

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards include federal and state grant activity of the Board of Trustees, International Academy of Trenton Charter School under programs of the federal and state governments for the period ended June 30, 2018. The information in these schedules is presented in accordance with the 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's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Charter School, they are not intended to and do not present the financial position, changes in net position or cash flows of the Charter School.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The Charter School has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. 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 when expenditures have been made.

The General Fund is presented in the accompanying schedules on the modified accrual basis.

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 revenue, whereas the GAAP basis does not.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile revenue from the budgetary basis to the GAAP basis is \$-0- for the General and Special Revenue Funds. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

	Federal	State	Total
General Fund	-	\$ 8,127,704	\$ 8,127,704
Special Revenue Fund	\$ 462,364		462,364
Enterprise Fund	432,188	5,435	437,623
	\$ 894,552	\$ 8,133,139	\$ 9,027,691

NOTE 5. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements for the governmental activities, each major fund except for the Proprietary Funds, and the aggregate remaining fund information and a disclaimer of opinion on the business-type activities and proprietary fund financial statements of the Charter School.
- There were material weaknesses disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- Instances of noncompliance material to the financial statements of the Charter School which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- Material weaknesses in internal control over the major federal and state programs were disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major Federal and State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major federal and state programs for the Charter School expresses a disclaimer of opinion on its major federal and state programs.
- Audit findings 2018-001 and 2018-002, which are required to be reported in accordance with the New Jersey's OMB Circular 15-08 and 2 CFR 200.516(a) the Uniform Guidance are reported in this schedule.
- The Charter School's federal and state programs tested as major programs for the current fiscal year were the following:

<u>Program Title</u>	<u>C.F.D.A. Number / State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	7/1/17-6/30/18	\$ 97,849	\$ 97,849
National School Lunch Program	10.555	7/1/17-6/30/18	334,339	334,339
<u>State:</u>				
State Aid - Public:				
Local Levy State Share	18-495-034-7850-003	7/1/17-6/30/18	6,862,846	6,862,846
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	180,101	180,101
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	186,921	186,921
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	429,573	429,573

- The threshold used for distinguishing between both Federal and State Type A and Type B programs was \$750,000.
- The Charter School was not determined to be a "low risk" auditee for both Federal and State Programs.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Findings and Questioned Costs for Federal Awards:

Finding 2018-001: U.S. Department of Agriculture – Child Nutrition Cluster – Material Non Compliance – Reporting and Material Weakness – Internal Control and Internal Control over Compliance

Program Title	C.F.D.A. Number	Grant Period	Award Amount	Budgetary Expenditures	Questioned Costs
Child Nutrition Cluster:					
School Breakfast Program	10.553	7/1/17-6/30/18	\$ 97,849	\$ 97,849	\$ 28,761
National School Lunch Program	10.555	7/1/17-6/30/18	334,339	334,339	107,790

Criteria:

At a minimum, a claim must include the number of reimbursable meals/milk served by category and type during the period (generally a month) covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the SFAs, institution's, or sponsor's administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type (7 CFR sections 210.7(c), 210.8(c), and 225.9(d)).

Condition and Context:

Our review of the meals reported as served on a test basis revealed that the supporting meal count records could not be located for audit review. The meal count records for the other monthly reimbursements not tested were not available per discussion with the Charter School.

Effect:

The Charter School does not have supporting meal count records for the Child Nutrition Cluster reimbursements received and the U.S. Department of Agriculture could request the Charter School to return the reimbursements.

Cause:

The Charter School ceased operations as of June 30, 2018 and the meal count records could not be located for audit review. Care was not taken to ensure the meal count records were available for audit review.

Recommendation:

No recommendation is warranted as the Charter School ceased operations as of June 30, 2018.

Management's Response:

The Charter School attempted to obtain the meal count records from the former administrative company and the Trenton School District but was unsuccessful.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Findings and Questioned Costs for State Awards:

Finding 2018-002: New Jersey Department of Education – State Aid – Public – Material Noncompliance – Eligibility and Material Weakness – Internal Control and Internal Control over Compliance

Program Title	State Grant Number	Grant Period	Award Amount	Budgetary Expenditures	Questioned Costs
Local Levy - State Share	18-495-034- 7850-003	7/1/17-6/30/18	\$ 6,862,846	\$ 6,862,846	\$ -0-

Criteria:

Per N.J.A.C. 6A:23-15.1A et. seq., school districts and charter schools are required to conduct enrollment counts to the New Jersey Department of Education twice a year at October 13 and on the last day of school. School registers and other source documents supporting the enrollments counts for on-roll, low income and bilingual students are required to be maintained on file.

Condition and Context:

School registers and other source documents supporting the enrollments counts reported to the New Jersey Department of Education on October 13 and the last day of school for on-roll and bilingual students were not maintained on file.

Effect:

The Charter School does not have supporting school registers and other source documents to support the enrollments for on-roll and bilingual students reported to the New Jersey Department of Education. The Department of Education could request reimbursement of the aid related to the enrollment counts.

Cause:

The Charter School ceased operations at June 30, 2018. Care was not taken to ensure that the school registers and other source documents supporting the number of on-roll and bilingual students reported at October 13 and the last day of school were maintained on file.

Recommendation:

No recommendation is warranted as the Charter School ceased operations as of June 30, 2018.

Management's Response:

The Charter School attempted to retrieve the enrollment records from the former administrative company and the Trenton School District but was unsuccessful.

INTERNATIONAL ACADEMY OF TRENTON CHARTER SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

There were no prior year recommendations.