

**CLASSICAL ACADEMY CHARTER
SCHOOL OF CLIFTON
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2018

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

***Classical Academy Charter School of Clifton
Board of Trustees
Clifton, New Jersey***

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Prepared By

***Classical Academy Charter School of Clifton
Finance Department***

And

Barre & Company LLC, CPA's

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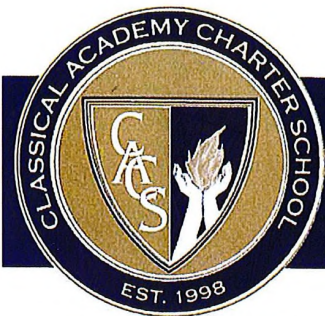
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INTRODUCTORY SECTION



Classical Academy Charter School of Clifton
1255 Main Avenue Clifton, NJ 07011
Tel: 973.278.7707 Fax: 973.278.7720
"National Blue Ribbon School of Excellence"

February 28, 2019

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Classical Academy Charter School of Clifton (Charter School) for the fiscal year ended June 30, 2018. This CAFR includes the Charter's basic financial statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the New Jersey State Office of Management and Budget (OMB) Circular Letter 15-08, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

The Lead Person is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The Board Secretary/Business Administrator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES: The Classical Academy Charter School of Clifton is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

Now in its 18th year of existence, the Classical Academy Charter School of Clifton, County of Passaic’s first public charter school, continues to reach new milestones. Each year the school realizes its mission and attains, indeed, surpasses by large margins, many of its goals and objectives for collectively and individually high student learning outcomes, and for achieving overall institutional success, objectively measured and acclaimed. For a more detailed account of the Classical Academy Charter School of Clifton’s school and academic program, and the school’s many accomplishments, interested parties are urged to call the school (973-278-7707) and request a copy of the ‘Academic and school program,’ or consult the state’s online ‘Report Card’ (the narrative portion) or the Classical Academy Charter School of Clifton’s own website:(www.classicalacademy.org).

2. ENROLLMENT OUTLOOK: Classical Academy Charter School of Clifton’s success and glowing reputation is shown, by one important measure, in the strong demand for Classical Academy Charter School of Clifton admissions as demonstrated when Clifton parents have the opportunity to exercise parental choice in public Middle School (grades 6-8) education. Although the school reaches out to the community by advertisements, articles about the school in local newspapers, and other means, most admission applicants, having heard about the school’s highly-deserved reputation for excellence, are referred to the school by neighbors, relatives, friends, and from those who have had their own children attend the Classical Academy Charter School of Clifton. Each year the Classical Academy Charter School of Clifton receives approximately two applications for each of the 40 6th grade vacancies. Mirroring exactly the demographics of Clifton, NJ public schools, 85% of the Classical Academy Charter School of Clifton’s typical school enrollment are students whose parents or they themselves were born outside the U.S.; 65% of the school’s student population is of Hispanic heritage. The school’s ‘poverty rate’ based on students qualifying for “Free or Reduced Lunch Program’ averages annually between 35%-45% each year. In the future, the school hopes to add the 4th and 5th grades.

Classical Academy Charter School of Clifton provides a full range of educational services appropriate to Grades 6-8. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2017-2018 school year with an enrollment of 118 students. The following details the student enrollment of the Charter School.

Fiscal Student Percent Year Enrollment Change

Fiscal Year	Student Enrollment	Percent Change
2017-2018	118	0%
2016-2017	118	1.72%
2015-2016	116	0.87%
2014-2015	115	-1.71%
2013-2014	117	0.86%
2012-2013	116	-1.69%
2011-2012	118	2.61%
2010-2011	115	-0.10%

3. MAJOR ACCOMPLISHMENTS:

Within the last two academic years, Classical Academy Charter School of Clifton has been undergoing a remarkable period of growth and transformation. While maintaining its standards of academic excellence, Classical Academy relocated to a larger facility in Clifton, New Jersey in order to provide our students with more space to pursue diversified educational opportunities. This transition also allowed the school's Administrative Team to redesign the Health and Physical Education Program and to design and implement an Art program. Both of these programs have been fully integrated into our advanced curriculum comprised of a daily student course load of English, Language Arts, Middle School Math, Science, Social Studies, and Latin. These additions have yielded to a twenty percent increase in parent and student satisfaction, contributed to an increase in student performance, and has contributed to our students' considering different areas of interest in high school academies and career planning.

In addition to maintaining its standard of high standardized test scores, Classical Academy was also recognized in last year's NICHE ranking as the top third school in the State of New Jersey. Other recognitions include recognition as one of the top Passaic County charter schools and one of the top ten New Jersey Charter schools.

The Classical Academy Charter School of Clifton's three-year academic program in grades 6, 7 and 8 and its practices and policies continue to prove highly effective in producing high student learning at lost cost – about 60%-70% of the prevailing north Jersey 'per pupil cost'. For five of the last six years, 100% of 8th grade students passed all three tested subjects (language arts, mathematics, and science) on the state-mandated 'ASK-8' test; and the year (2015) when not every student passed every subject, our ASK-8 'passing rate' was high at 97% in both language arts and science, and 94% in mathematics.

The Classical Academy Charter School of Clifton produces outstanding results, consistently and at the highest levels, is not a subjective appraisal. In 2008 the Federal Dept. of Education honored the school with a "National Blue Ribbon School of Excellence" award (only the 2nd New Jersey public charter school in 16 years to be so honored); in 2012 the New Jersey Dept. of Education designated the Classical Academy Charter School of Clifton a 'REWARD' school, its designation for high-achieving public schools, charter and traditional; and in 2013, the 'National New Campaign for Achievement Now' (NJCAN), a citizens education action group, recognized the Classical Academy Charter School of Clifton with its 'TOP TEN' awards: one award for being

a top ten NJ school for educating 'Low Income Students' and another 'Top Ten' award for educating to high levels 'Latino Students', and one for overall excellence in middle-school education.

4. INTERNAL ACCOUNTING CONTROLS: Since 2012, the Classical Academy Charter School of Clifton has put in place fiscal controls and structures advocated by the New Jersey Dept. of Education's Office of Charter Schools. Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like to be derived; and (2) the valuation of costs and benefits requires estimates the judgments by management.

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2018.

6. ACCOUNTING SYSTEM AND REPORTS: The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of report, the Charter School continues to meet its responsibility for sound financial management.

8. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statement" Notes 1 and 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires

governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

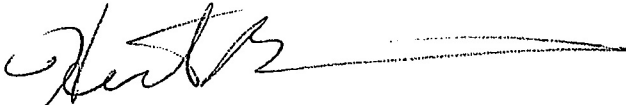
10. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, LLC Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements 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 Circular 15-08-OMB.

The auditors' report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors' reports, related specifically to the single audit, are included in the single audit section of this report.

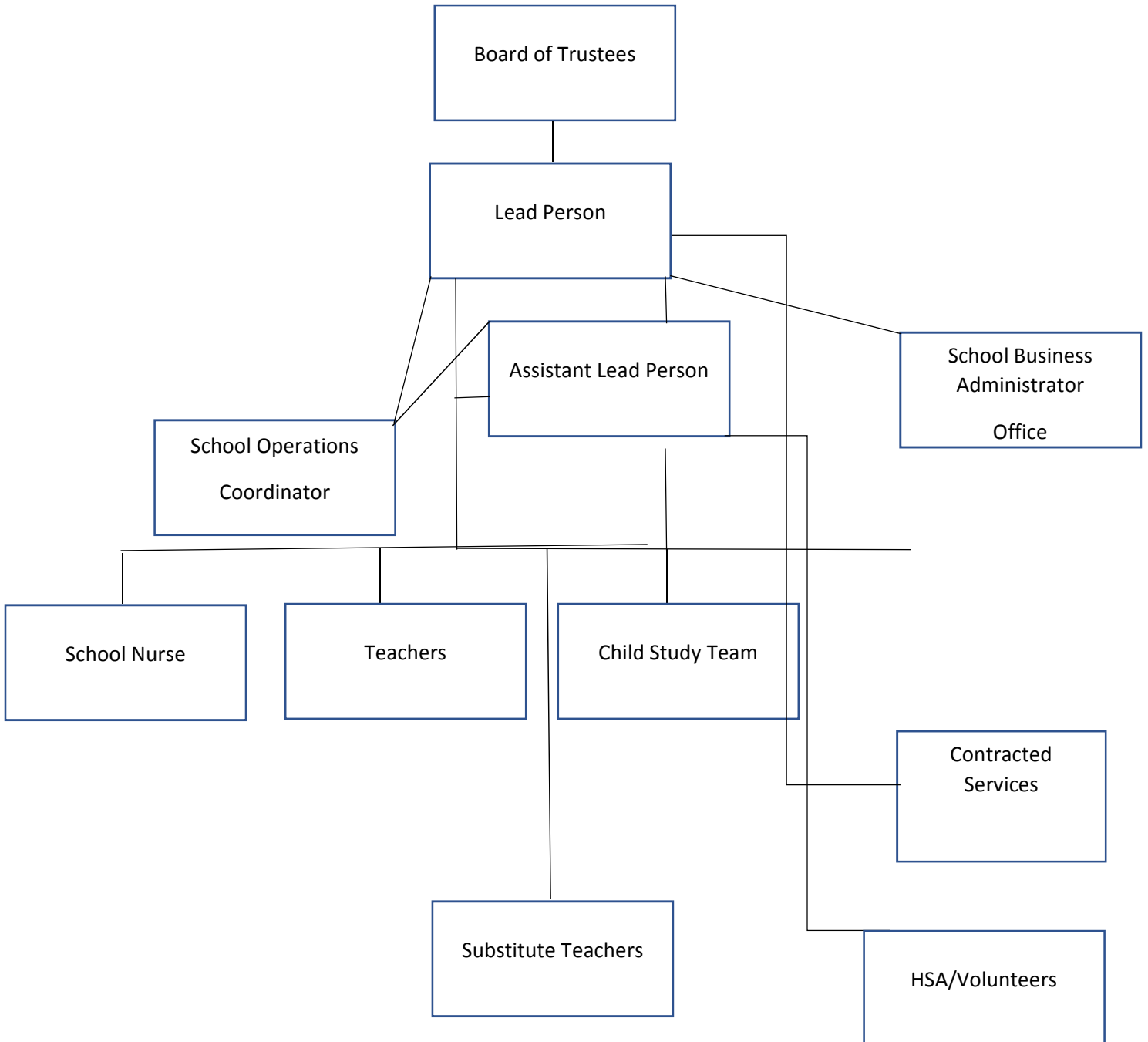
11. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Classical Academy Charter School of Clifton Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,



Hector Berrios
School Business Administrator

Organizational Chart



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

ROSTER OF OFFICIALS

JUNE 30, 2018

Voting Members

MEMBERS OF THE BOARD OF TRUSTEES

Wafa Al-Rimawi, President

Tulun Aydogan, Vice President

Leyla Korkmaz, Board Member

Renee Mendez, Board Member

Gregory M. Lake, Board Member

**Non-Voting Members
(Terms co-terminus with Classical Academy Employment)**

Sandra Giordano, Lead Person

Hector Berrios, School Business Administrator/Board Secretary

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

CONSULTANTS AND ADVISORS

Audit Firm

Barre & Company LLC
Certified Public Accountants
2204 Morris Avenue, Suite 206
Union, New Jersey 07083

Attorney

Riker Danzig Scherer Hyland Perretti LLP
One Speedwell Avenue
Morristown, New Jersey

Official Depository

TD Bank North
Clifton, NJ

FINANCIAL SECTION

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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

Independent Auditor’s Report

The Honorable President and
Members of the Board of Trustees
Classical Academy Charter School of Clifton
County of Passaic
Clifton, 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 Classical Academy Charter School of Clifton (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Classical Academy Charter School of Clifton, in the County of Passaic, State of New Jersey, as of June 30, 2018, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, Budgetary Comparison Information, Charter School’s Proportionate Share of the Net Pension Liability for TPAF and PERS and Charter School’s PERS Contributions, and Charter School’s Proportionate Share of the Net OPEB Liability for TPAF and PERS, and the related notes starting on pages 15, 80, 87, and 91, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School’s basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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*, respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.


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

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

Other Reporting Required by Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey

In accordance with *Government Auditing Standards* and the Division of Finance, Department of Education, State of New Jersey, we have also issued our report dated February 28, 2019 on our consideration of the Classical Academy Charter School of Clifton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards and the Division of Finance, Department of Education, State of New Jersey* in considering the Charter School's internal control over financial reporting and compliance.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountant


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

Union, New Jersey
February 28, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

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

The Management's Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

Introduction

The discussion and analysis of Classical Academy Charter School of Clifton's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- ❖ General revenues accounted for \$1,854,935 or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$29,546 or 2% of total revenues of \$1,884,481.
- ❖ The Charter School had \$2,323,860 in expenses; only \$29,546 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$1,854,935 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$1,661,705 in revenues and \$2,057,086 in expenditures. The General Fund's fund balance decreased \$395,381 over 2017. This decrease was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

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

Fund Financial Statements

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Classical Academy Charter School of Clifton, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities; the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of other, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

Statement of Net Position Reporting the Charter School as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2018?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

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

Statement of Net Position Reporting the Charter School as a Whole (continued)

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

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Enterprise Fund

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 33 of this report.

The Charter School as a Whole

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

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

The Charter School's combined Net Position were \$1,784,160 for 2018 and \$2,223,539 for 2017.

Governmental Activities

The Charter School's total revenues were \$1,884,481 for 2018 and \$1,450,310 for 2017, this includes \$46,136 for 2018 and \$47,459 for 2017 of state reimbursed TPAF social security contributions.

The total cost of all program and services were \$2,323,860 for 2018 and \$1,511,302 for 2017. Instruction comprises 39% for 2018 and 54% for 2017 of Charter School expenses.

Business-Type Activities

The business-type activities of the Charter School are the food service operations. These programs had no revenues and operating expenses for fiscal year 2018.

Reporting the Charter School's Most Significant Funds

Governmental Activities

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services.

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

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

Reporting the Charter School's Most Significant Funds (Continued)

Governmental Activities (Continued)

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

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

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2017.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$1,884,481 for 2018 and \$1,450,310 for 2017 and expenditures were \$2,116,886 for 2018 and \$1,468,909 for 2017. The net change in fund balance was most significant in the general fund, a decrease of \$395,381 in 2018 and \$18,599 in 2017.

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Local Sources	\$ 1,230,449	71.48%	\$ 411,713	50.29%
State Sources	431,256	25.05%	(102,520)	-19.21%
Federal Sources	59,800	3.47%	(37,998)	-38.85%
Total	\$ 1,721,505	100.00%	\$ 271,195	

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

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

Reporting the Charter School's Most Significant Funds (continued)

The Charter School's Funds (continued)

The following schedule represents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2018, and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2017	Percent of Increase/ (Decrease)
Instruction	\$ 670,180	31.66%	\$ 54,887	8.92%
Administration	743,288	35.11%	65,531	9.67%
Support Services	619,956	29.29%	444,097	252.53%
Capital Outlay	83,462	3.94%	83,462	100.00%
Total	\$ 2,116,886	100.00%	\$ 647,977	

General Fund Budgeting Highlights

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

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

Capital Assets (Net of Depreciation)

The Charter School had \$474,785 for 2018 and \$499,482 for 2017 invested in capital assets all in governmental activities.

Debt Administration

At June 30, 2018, the Charter School had \$152,351 of outstanding debt, which is for the net pension liability.

For more detailed information, please refer to the Notes to the Financial Statements.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
CLIFTON, NEW JERSEY**

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

For the Future

The Classical Academy Charter School of Clifton is in stable financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

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

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2017-2018. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Classical Academy Charter School of Clifton, 1255 Main Avenue, Clifton, New Jersey 07011.

BASIC FINANCIAL STATEMENTS

SECTION A – CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,146,498	\$ -	\$ 1,146,498
Restricted	75,000		75,000
Interfund Receivables	8,709		8,709
Receivables	149,173		149,173
Other Assets	43,333		43,333
Capital Assets, Net	474,785		474,785
	<hr/>		<hr/>
Total Assets	1,897,498	-	1,897,498
	<hr/>		<hr/>
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	119,782		119,782
	<hr/>		<hr/>
Deferred Outflows of Resources	119,782	-	119,782
	<hr/>		<hr/>
LIABILITIES:			
Accounts Payable	33,645		33,645
Deferred Revenue	1,293		1,293
Noncurrent Liabilities:			
Due Beyond One Year:			
Net Pension Liability	152,351		152,351
	<hr/>		<hr/>
Total Liabilities	187,289	-	187,289
	<hr/>		<hr/>
DEFERRED INFLOWS OF RESOURCES:			
Pensions	45,831		45,831
	<hr/>		<hr/>
Deferred Inflows of Resources	45,831	-	45,831
	<hr/>		<hr/>
NET POSITION:			
Net Investment in Capital Assets	474,785		474,785
Restricted for:			
General Fund	21,644		21,644
Unassigned	1,287,731		1,287,731
	<hr/>		<hr/>
Total Net Position	\$ 1,784,160	\$ -	\$ 1,784,160
	<hr/> <hr/>		<hr/> <hr/>

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Statement of Activities

For The Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 670,180	\$ 242,568	\$ -	\$ 29,546	\$ -	\$ (883,202)	\$ -	\$ (883,202)
Administration	585,492	69,454				(654,946)		(654,946)
Support Services	619,956	28,051				(648,007)		(648,007)
Capital Outlay	83,462					(83,462)		(83,462)
Unallocated Depreciation	24,697					(24,697)		(24,697)
Total Governmental Activities	1,983,787	\$ 340,073	-	29,546	-	(2,294,314)	-	(2,294,314)
BUSINESS-TYPE ACTIVITIES:								
Food Service	-							-
Total Business-Type Activities	-							-
Total Primary Government	\$ 1,983,787			\$ 29,546	\$ -	(2,294,314)	\$ -	(2,294,314)
GENERAL REVENUES								
General Purposes				\$ 185,465	\$ -	\$ 185,465		
Federal and State Aid Not Restricted				1,387,551		1,387,551		
Investment Earnings				617		617		
Miscellaneous Income				281,302		281,302		
Total General Revenues				1,854,935		1,854,935		
Change in Net Position				(439,379)		(439,379)		
Net Position - Beginning				2,223,539		2,223,539		
Net Position - Ending				\$ 1,784,160		\$ 1,784,160		\$ 1,784,160

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

SECTION B – FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and Cash Equivalents:			
Unrestricted	\$ 1,181,387	\$ -	\$ 1,181,387
Restricted	75,000		75,000
Receivables:			
Interfund Receivables	8,709		8,709
Receivables From Other Governments	2,109	37,252	39,361
Receivables, Net	109,812		109,812
Other Assets	43,333		43,333
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,420,350</u>	<u>\$ 37,252</u>	<u>\$ 1,457,602</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Cash Overdraft	\$ -	\$ 34,889	\$ 34,889
Accounts Payable	31,282	2,363	33,645
Deferred Revenue	1,293		1,293
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>32,575</u>	<u>37,252</u>	<u>69,827</u>
Fund Balances:			
Reserved For:			
Encumbrances	21,644		21,644
Unassigned:			
General Fund	1,366,131		1,366,131
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,387,775</u>	<u>-</u>	<u>1,387,775</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 1,420,350</u>	<u>\$ 37,252</u>	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$934,403 and the accumulated depreciation is \$459,618.			474,785
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.			(152,351)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows related to pensions			119,782
Deferred inflows related to pensions			<u>(45,831)</u>
Net Position of Governmental Activities			<u>\$ 1,784,160</u>

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 948,530	\$ -	\$ 948,530
Interest on Investments	617		617
Miscellaneous	281,302		281,302
Total Local Sources	1,230,449	-	1,230,449
State Sources	431,256		431,256
Federal Sources		59,800	59,800
Total Revenues	1,661,705	59,800	1,721,505
EXPENDITURES:			
Current:			
Instruction	635,180	35,000	670,180
Administration	743,288		743,288
Support Services	595,156	24,800	619,956
Capital Outlay	83,462		83,462
Total Expenditures	2,057,086	59,800	2,116,886
NET CHANGE IN FUND BALANCES	(395,381)	-	(395,381)
FUND BALANCES, JULY 1	1,783,156	-	1,783,156
FUND BALANCES, JUNE 30	<u>\$ 1,387,775</u>	<u>\$ -</u>	<u>\$ 1,387,775</u>

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Reconciliation of the Statement of Revenues, Expenditures
 And Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental fund (from B-2)	\$ (395,381)
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>	
<p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current fiscal year.</p>	
Depreciation Expense	(24,697)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized.</p>	
	<u>(19,301)</u>
Change in net position of governmental activities	<u><u>\$ (439,379)</u></u>

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

FIDUCIARY FUNDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2018

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	\$ 25,163
Total Assets	\$ 25,163
LIABILITIES:	
Interfund Accounts Payable	\$ 8,709
Payroll Deductions and Withholdings	1,322
Due to Student Groups	15,132
Total Liabilities	\$ 25,163

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

NOTES TO THE FINANCIAL STATEMENTS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Classical Academy Charter School of Clifton have been prepared in conformity with generally accepted accounting principles generally (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body responsible for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the Charter School are described below.

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Charter School’s overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School’s activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

B. Reporting Entity

The Charter School is a non-profit corporation organized under the laws of the State of New Jersey, established in 2002 to operate and maintain a public school under a charter granted by the State of New Jersey. The Charter School consists of seven members and must comply with the Charter School Program Act of 1995 and regulations promulgated thereunder.

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

The primary criterion for including activities within the Charter School’s reporting entity are set forth in Statement No. 14 of the Governmental Accounting Standards Board entitled “The Financial Reporting Entity” (GASB 14) as codified in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*. Under GASB Statement No. 14, the financial reporting entity is determined by the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity Statements (Continued)

operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School over which it exercises operating control. The operations of the Classical Academy Charter School of Clifton include a middle school located in the City of Clifton. There are 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.

C. Basic Financial Statements – Government-Wide Statements

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

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

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

Program revenues include (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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the Charter School.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Charter School:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Charter School.

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

As required by the New Jersey State Department of Education, the Charter School includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, charter 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 the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. . As of June 30, 2018, there was no Capital Projects Fund.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs. As of June 30, 2018, there was no debt service fund.

Proprietary Fund Type - The focus of Proprietary Fund measurement is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the Charter School:

Enterprise Funds – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the Charter School has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported, and use it consistently from period to period. Transactions for which cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities normally would not be reported as components of operating income.

The Charter School's Enterprise Fund are comprised of the Food Service Fund operations.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

In its accounting and financial reporting, the Charter School follows the pronouncements of the GASB and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's business-type activities and enterprise funds have elected not to apply the standards issued by the FASB after November 30, 1989.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements; however, interfund services provided and used are not eliminated in the process of consolidation.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Charter School enterprise funds are charges for daily sales of food, special functions and miscellaneous receipts. Operating expenses for proprietary funds include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

Internal Service (Self-Insurance) Fund: The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

Fiduciary Fund Types - Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Charter School programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expense of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation and Agency). Since by definition these

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements – Fund Financial Statements (Continued)

assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be sued to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Trust Funds – The unemployment compensation fund is used to account for contributions from the Charter School and employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. Although there is no formal trust agreement, the State of New Jersey requires charter schools to include the unemployment compensation trust as a private-purpose trust fund in the fiduciary fund. The principal and income deposited into this fund are for the sole benefit of the specific individuals or former employees. The management of the Charter School is not involved in determining the amounts current employees contribute to the fund or amounts paid out by the fund. That determination is made by the State of New Jersey.

The Unemployment Compensation Fund is recorded as a trust fund because there is no debt issued related to unemployment compensation claims.

Expendable Trust Funds - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

Nonexpendable Trust Funds - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

Agency Funds (Payroll, Payroll Agency, Student Activity and Athletic Funds): The agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. These are custodial in nature and do not involve measurement of results of operations.

In accordance with GASB Statement 34, fiduciary funds are not included in the government-wide financial statements.

E. Measurement Focus and Basis of Accounting

Measurement Focus – Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or noncurrent, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

The government-wide proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Charter School gives (or receives) value without directly receiving (or giving) equal value in exchange, include state and federal aid, property taxes, grants, entitlements and donations.

Government funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The Charter School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

F. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. 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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

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

Total Revenues & Expenditures (Budgetary Basis)	\$	59,800
Adjustments:		
Less Encumbrances at June 30, 2018		-
Plus Encumbrances at June 30, 2017		-
Total Revenues and Expenditures (GAAP Basis)		59,800

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the Charter School cannot recognize these payments on the GAAP financial statements.

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is presented on Note A in the Required Supplementary Information Section.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. SDA grants are recognized on the budgetary basis in full when they are awarded but are recognized on the GAAP basis as they are expended and requested for reimbursement.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Risk Category

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

As of June 30, 2018, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

H. Prepaid Expenses

Prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

There was no prepayment as of June 30, 2018.

I. Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value. New Jersey charter schools are limited as to the types 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 charter schools.

Additionally, the Charter School had adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provision 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.

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (continued)

covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

2. Short-term Interfund Receivables/Payables

Short-term interfund receivables/payables represents 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.

3. Fixed Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method

4. Inventories

Inventories, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

5. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight-line basis over the following estimated useful lives:

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (continued)

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

GASB No. 34 requires the Charter School to report and depreciate new infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The Charter School has included all infrastructure assets in the current fiscal year.

6. Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Compensated Absences

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences that are attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave. Vacation days not used during the year may only be carried forward with approval from the Head of School.

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 in more than one year.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (continued)

Compensated Absences (continued)

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, there are no liabilities for compensated absences in the Food Service Fund.

9. Net Pension Liability (Asset)

The net pension liability (asset) represents the Charter School's proportionate share of the net pension liability (asset) of the New Jersey State Pension Employees' Retirement System and the New Jersey State Teachers' Pension and Annuity Fund System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date"

10. Deferred Outflows/Inflows of Resources

The Charter School implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the current fiscal year. This statement defines net position as the residual of all other elements presented in statement of financial position. It is the difference between (1) assets and deferred outflows of resources and (2) liabilities and deferred inflows of resources. This Statement provides guidance for reporting net position within a framework that includes deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities.

11. Deferred Revenue

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

12. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, Deferred Outflow/Inflows of Resources, Net Position and Fund Equity (continued)

13. Fund Balance Reserves

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

Committed fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

Assigned fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

Unassigned – Includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund. The Charter School reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Charter School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, and the Charter School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Reserves (continued)

14. Net Position

Net Position on the *Statement of Net Position* include the following:

Investments in Capital Assets, net of Related Debt - the component of net asset there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets

Restricted for Specific Purposes – the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

Restricted for Debt Service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Unrestricted – the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Position Restricted for Specific Purposes or Net Position Restricted for Debt

15. Contributed Capital

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

16. Interfund Transactions

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Position.

17. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

18. Accounting for Uncertainty in Income Taxes

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2014.

19. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the State of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund, and for post-retirement medical benefits of members. The amounts are not required to be included in the Charter School's annual budget

20. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 16, 2017.

21. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

The Charter School implemented the following GASB statements for the fiscal year ended June 30, 2018:

Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of this Statement resulted in an increase in full accrual revenues and expenses and additional footnote disclosures.

Statements No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other postemployment benefits (OPEB)).

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Recently Issued Accounting Pronouncements

Other GASB Statements that the Charter School is currently reviewing for applicability and potential impact on the financial statements include:

Statement No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

Statement No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact of Recently Issued Accounting Principles (Continued)

GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

22. Pensions

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

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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 public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks of which the deposits are federally insured. All public depositories must pledge collateral, having a market value 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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES

Deposits and Investments (Continued)

Deposits (Continued)

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

	General Fund	Special Revenue	Fiduciary Funds	Total
Operating Account	\$ 1,256,387	\$ (34,889)	\$ 25,163	\$ 1,246,661

The Charter School had no investments at June 30, 2018.

The carrying amount of the Board’s cash and cash equivalents at June 30, 2018 was \$1,246,661 and the bank balance was \$1,302,296. All bank balances were covered by federal depository insurance (FDIC) and/or by a collateral pool maintained by the banks as required by GUDPA.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* (“GASB 40”), the Charter School’s operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the Charter School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by a pledging financial institution, or collateralized with securities held by the financial institution’s trust department or agent but not in the government’s name.

As of June 30, 2018, none of the cash and cash equivalents for Classical Academy Charter School of Clifton were exposed to custodial credit risk.

The Charter School does not have a policy for the management of custodial credit risk, except as noted above, other than depositing all of its funds in banks covered by GUDPA.

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.

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which is fully funded at June 30, 2018. The agreement

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)

Restricted Cash (Continued)

stipulates that the intended use of the escrow amount is “to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur.”

Investments

New Jersey statutes (N.J.S.A.18A:20-37) permit the Charter School to purchase the following types of securities:

- a. When authorized by resolution adopted by a majority vote of all its board members, the Charter School may use moneys which may be in hand for the purchase of the following types of securities, which, if suitable for registry, may be registered in the name of the Charter School;
 - (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 no dependent on any index or other external factor;
 - (4) Bonds or other obligations of the charter school or bonds or other obligations of local unit or units within which the charter school is located;
 - (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by charter schools;
 - (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;
 - b. the custody of collateral is transferred to a third party;
 - c. the maturity of the agreement is not more than 30 days; and
 - 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 for which a master repurchase agreement providing for the custody and security of collateral is executed.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

Credit Risk: The Charter School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosures be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The Charter School did not have any investments at June 30, 2018.

Interest Rate Risk: The Charter School does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Charter School did not have any investments at June 30, 2018.

Concentration of Credit Risk: The Charter School places no limit on the amount they may invest in any one issuer. The Charter School did not have any investments at June 30, 2018.

Receivables Receivables at June 30, 2018, consisted of accounts, intergovernmental, grants, and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 109,730	\$ 109,730
Federal Aid	37,252	37,252
Other	2,191	2,191
Gross Receivables	149,173	149,173
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 149,173	\$ 149,173

B. Interfund Receivables and Payables

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

The following interfund balances remained on the fund financial statements at June 30, 2018:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 8,709	\$ -
Fiduciary Fund		8,709
Total	\$ 8,709	\$ 8,709

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land and Land Improvements	\$ 151,300	\$ -	\$ -	\$ 151,300
Total Capital Assets Not Being Depreciated	<u>151,300</u>	<u>-</u>	<u>-</u>	<u>151,300</u>
<i>Capital Assets Being Depreciated:</i>				
Building and Building Improvements	\$ 617,442	\$ -	\$ -	\$ 617,442
Machinery and Equipment	165,661	-	-	165,661
Total Capital Assets Being Depreciated	<u>783,103</u>	<u>-</u>	<u>-</u>	<u>783,103</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	269,260	24,697	-	293,957
Machinery and Equipment	165,661	-	-	165,661
Total Accumulated Depreciation	<u>434,921</u>	<u>24,697</u>	<u>-</u>	<u>459,618</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>348,182</u>	<u>(24,697)</u>	<u>-</u>	<u>323,485</u>
Government Activity Capital Assets, Net	<u>\$ 499,482</u>	<u>\$ (24,697)</u>	<u>\$ -</u>	<u>\$ 474,785</u>

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the Charter School-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance-total governmental funds is made to reflect the carrying value of the Charter School's capital assets at year-end in the Charter School-wide financial statements.

Depreciation expense was charged to functions as follows:

Depreciation Expense:	
Unallocated	<u>\$ 24,697</u>
Total	<u>\$ 24,697</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 2: DETAILED DISCLOSURE REGARDING ASSETS AND REVENUES
(CONTINUED)**

D. Long-Term Debt

At June 30, 2018, the Charter School's noncurrent liabilities reported in the Statement of Net Position is as follows.

	Balance July 1, 2017	Increase	Decrease	Balance June 30, 2018	Amounts Due Within One Year
Net Pension Liability	\$ 135,553	\$ 22,859	\$ 6,061	\$ 152,351	\$ -
Total	\$ 135,553	\$ 22,859	\$ 6,061	\$ 152,351	\$ -

E. Rental Lease

Effective May 19, 2017, the Charter School entered into a lease agreement with the St. Paul Roman Catholic Church effective July 1, 2017 for a period of two (2) years until June 30, 2019. The lease has a renewal option for a period of three (3) years. Subsequent extensions are subject to mutual agreement with the St. Paul Roman Catholic Church. Future minimum annual rental is as follows:

	Year Ended
	June 30
2019	\$ 267,800

NOTE 3: PENSION PLANS

A substantial number of the Charter School's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several Charter School employees participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: PENSION PLANS (CONTINUED)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Vesting and Benefit Provisions

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:

<u>Tier</u>	<u>Descriptions</u>
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 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 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 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 employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PENSION PLANS (CONTINUED)

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 2017, the State's pension contribution was less than actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$6,342 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on 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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Charter School reported a liability of \$152,351 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 01, 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. For the June 30, 2017 measurement date, the Charter School's proportion was 0.0006544737%, which was an increase of 0.0001967896% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the Charter School recognized pension expense of \$31,704, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2017 measurement date.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: PENSION PLANS (CONTINUED)

At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 3,587	\$ -
Changes in Assumptions	30,693	30,581
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	1,037	-
Changes in Proportion and Differences between Charter School Contributions and Proportionate Share of Contributions	78,123	15,250
Charter School Contributions Subsequent to the Measurement Date	6,342	-
	\$ 119,782	\$ 45,831

\$6,342, included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2019.

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

Fiscal Year Ending June 30,	Total
2018	\$ 3,586
2019	5,412
2020	3,279
2021	(4,362)
2022	(3,179)
	\$ 4,736
	\$ 4,736

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PENSION PLANS (CONTINUED)

Changes in Proportion

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

The amortization of the other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	5.48 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00 years	-
June 30, 2015	5.00 years	-
June 30, 2016	5.00 years	-
June 30, 2017	5.00 years	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44 years	-
June 30, 2015	5.72 years	-
June 30, 2016	5.57 years	-
June 30, 2017	-	5.48 years

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PENSION PLANS (CONTINUED)

Actuarial Assumptions

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 01, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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 1 year for females).

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PENSION PLANS (CONTINUED)

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 rates of return for each major asset class included in PERS's 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 based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the 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.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: PENSION PLANS (CONTINUED)

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

	Fiscal Year Ended June 30, 2017		
	1% Decrease	Current	1% Increase
	(4.00%)	Discount Rate (5.00%)	(6.00%)
Charter School's Proportionate Share of the Net Pension Liability	\$ 189,002	\$ 152,351	\$ 121,816

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

Vesting and Benefit Provisions

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PENSION PLANS (CONTINUED)

contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 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 Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, 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 employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2017, the State's pension contribution was less than the actuarially 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. However, the notes to the financial statements of the Charter School must disclose the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended June 30, 2018, the

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: PENSION PLANS (CONTINUED)

State of New Jersey contributed \$8,796 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$65,487.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased on 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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Charter School was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of the net pension liability, attributable to the Charter School is as follows:

Charter School's Proportionate Share of the Net Pension Liability	\$ -
State of New Jersey 's Proportionate Share of the Net Pension Liability Associated with the Charter School	3,932,082
Total	\$ 3,932,082

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 01, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. For the June 30, 2017 measurement date, 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 employers and the State of New Jersey, actuarially determined. At June 30, 2017, Charter School's proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2017 measurement date, the State's proportionate share of the TPAF net pension liability associated with the Charter School was 0.0058319069%, which was an increase of 0.0007761044% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the Charter School recognized \$272,395 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2017 measurement date.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: PENSION PLANS (CONTINUED)

The State reported the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 13,378,255,364	\$ 11,684,858,458
Difference Between Expected and Actual Experience	441,116,389	115,381,203
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	341,507,504	-
	\$ 14,160,879,257	\$ 11,800,239,661

The amortization of the deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	8.5 years
June 30, 2015	8.3 years	-
June 30, 2016	-	8.3 years
June 30, 2017	8.3 years	-
Changes in Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	8.5 years	-
June 30, 2015	8.3 years	-
June 30, 2016	8.3 years	-
June 30, 2017	-	8.3 years
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00 years	-
June 30, 2015	5.00 years	-
June 30, 2016	5.00 years	-
June 30, 2017	5.00 years	-

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: PENSION PLANS (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense excluding that attributable to employer-paid member contributions as follows:

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

Actuarial Assumptions

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 01, 2016. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2017. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

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

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

The actuarial assumptions used in the July 01, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PENSION PLANS (CONTINUED)

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 rates of return for each major asset class included in TPAF's 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 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 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 based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3: PENSION PLANS (CONTINUED)

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

As previously mentioned, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2017, the pension plans measurement date, attributable to the Charter School is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the Charter School, using a discount rate of 4.25%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

Fiscal Year Ended June 30, 2017			
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
Charter School's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of the Net Pension Liability Associated with the Charter School	4,688,523	3,946,464	3,335,152
	\$ 4,688,523	\$ 3,946,464	\$ 3,335,152

Pension Plan Fiduciary Net Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the respective fiduciary net position of the TPAF and additions to/deductions from TPAF's fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions.

C. Defined Contribution Retirement Program (DCRP)

Plan Description

The Defined Contribution Retirement Program (DCRP) is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan"

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3: PENSION PLANS (CONTINUED)

within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for Tier 3 enrollment but who earn salary of at least \$5,000.00 annually (The minimum salary in 2018 is \$8,300 and is subject to adjustment in future years); and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for Tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually. The minimum number of hours is 32 hours per week for local education employees.

Vesting and Benefit Provisions

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Charter School contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2018, there were no employee contributions reported, and there were no pension expense reported and recognized by the Charter School, on which to equal the required contributions.

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for charter schools.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30,

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local charter school employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	-
	-
Total Plan Members	366,078

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of postretirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund-Local Education Retired for retirees' post-retirement benefits on behalf of the Charter School for the fiscal years ended June 30, 2018, 2017, and 2016 were \$59,776, \$54,658, and \$48,199, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the Charter School was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State's contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 75 is zero percent and the State's proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

At June 30, 2017, the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Actual and Expected Experience	\$ -	\$ -
Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumptions Changes	-	(6,343,769,032)
Sub Total	-	(6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	1,190,373,242	Not Available
Total	\$ 1,190,373,242	\$ (6,343,769,032)

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

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

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

For the fiscal year ended June 30, 2018, the Charter School recognized in the charter school-wide statement of activities (accrual basis) OPEB expense of \$162,976. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018, the State's proportionate share of the OPEB liability attributable to the Charter School is \$1,306,564. The nonemployer allocation percentages are based on the ratio of the State's proportionate share of the OPEB liability attributable to the Charter School at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state's share of the OPEB liability attributable to the Charter School was 0.0024358088%, which was an increase of 0.0001329091% from its proportionate share measured as of June 30, 2016 of 0.0023028997%.

Actuarial Assumptions

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Inflation Rate	2.50%		
	TPAF/ABP	PERS	PFRS
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

Pre-retirement healthy mortality rates were based on the RP-2014 headcount-weighted healthy employee male/female mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2017. Post-retirement healthy mortality rates were based on the RP-2014 headcount-weighted healthy annuitant male/female mortality table with fully generational mortality improvement projections from the central year using the Scale MP-2017. Disability mortality rates were based on the RP-2014 headcount-weighted disabled male/female mortality table with fully generational improvement projections from the central year using the School MP-2017.

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in future years.

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.58%

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	<u>Charter School's Total OPEB Liability (State Share 100%)</u>	<u>State of New Jersey's Total OPEB Liability</u>
Balance at June 30, 2016 Measurement Date	\$ 1,331,808	\$ 57,831,784,184
Changes Recognized for the Fiscal Year:		
Service Cost	132,563	2,391,878,884
Interest on Total OPEB Liability	41,322	1,699,441,736
Effect of Changes of Assumptions	(169,980)	(7,086,599,129)
Contributions - Employees	1,114	45,748,749
Gross Benefits Paid by the State	(30,263)	(1,242,412,566)
Net Changes	<u>(25,244)</u>	<u>(4,191,942,326)</u>
Balance at June 30, 2017 Measurement Date	<u>\$ 1,306,564</u>	<u>\$ 53,639,841,858</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.58% in 2016 to 3.58% in 2017.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4: POST-RETIREMENT MEDICAL BENEFITS (CONTINUED)

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	At 1% Decrease (2.58%)	At Current Discount Rate (3.58%)	At 1% Increase (4.58%)
Net OPEB Liability (Allocable to the Charter School and the responsibility of the State)	\$ 1,550,986	\$ 1,306,564	\$ 1,112,686

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability (Allocable to the Charter School and the responsibility of the State)	\$ 1,074,523	\$ 1,306,564	\$ 1,614,712

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5: 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.

A. Property and Liability Insurance

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Comprehensive Annual Financial Report (Schedule J-20).

B. New Jersey Unemployment Compensation

Prior to 2017-2018 school year, the Charter School had elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State.

Starting in 2017-2018 school year, the charter school changed the unemployment contribution to the "Contributory Method" where the Charter School will now remit the entire employee deduction to the Commissioner of Labor. As of June 30, 2018, there is no balance in the school's Unemployment Compensation trust account.

NOTE 6: DETAILED DISCLOSURE REGARDING FUND EQUITY

General Fund

The General Fund balance at June 30, 2018 is \$1,387,775 of which \$1,366,131 and is unassigned and undesignated and \$21,644 is reserved for encumbrances.

NOTE 7: SUBSEQUENT EVENTS

Subsequent events were evaluated through February 28, 2019, the date the financial statements were available to be issued.

NOTE 8: CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2018, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULE

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Equalization Aid - Local Share - Charter School Aid	\$ 865,052	\$ 83,478	\$ 948,530	\$ 948,530	\$ -
Total Local Sources	865,052	83,478	948,530	948,530	-
Categorical Aid:					
Equalization Aid - State Share - Charter School Aid	169,143	16,322	185,465	185,465	-
Special Education Categorical Aid	25,334	4,212	29,546	29,546	-
Security Aid	4,126	3,183	7,309	7,309	-
State Adjustment Aid	137,400	(127,174)	10,226	10,226	-
Other State Aid	35,000	(35,000)	-	-	-
Total Categorical Aid	371,003	(138,457)	232,546	232,546	-
Other Sources:					
Interest Income				617	617
Miscellaneous Revenue		16,000	16,000	281,302	265,302
On-Behalf TPAF Pension Aid (Non-Budgeted)				92,550	92,550
Reimbursed TPAF Social Security Aid (Non-Budgeted)				46,136	46,136
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)				59,776	59,776
On-Behalf TPAF Long-Term Disability Insurance Aid (Non-Budgeted)				248	248
Total Other Sources	-	16,000	16,000	480,629	464,629
Total Revenues	1,236,055	(38,979)	1,197,076	1,661,705	464,629
EXPENDITURES:					
Instruction:					
Salaries of Teachers	556,661	(86,257)	470,404	469,473	931
Other Salaries for Instruction	10,000	75,120	85,120	85,120	-
Purchased Prof/Tech Services	10,000	691	10,691	9,573	1,118
Other Purchased Services	10,000	7,000	17,000	16,500	500
General Supplies	25,000	2,264	27,264	25,942	1,322
Textbooks	10,000	10,000	20,000	17,621	2,379
Miscellaneous	30,000	(17,181)	12,819	10,951	1,868
Total Instruction	651,661	(8,363)	643,298	635,180	8,118
Administration:					
Salaries - General Administration	126,500	3,500	130,000	130,000	-
Salaries of Secretarial/Clerical Assistants	30,805	(2,010)	28,795	28,795	-
Total Benefits Cost	167,880	15,271	183,151	141,363	41,788
Purchases Prof/Tech Services	169,500	(2,363)	167,137	144,323	22,814
Other Purchased Services	31,000	39,729	70,729	67,738	2,991
Communications/Telephone	5,000	500	5,500	4,124	1,376
Supplies and Materials	8,000	8,559	16,559	14,253	2,306
Miscellaneous Expenses	5,000	9,500	14,500	13,982	518
Total Administration	543,685	72,686	616,371	544,578	71,793

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
General Fund
Budgetary Comparison Schedule
For The Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
(Continued From Prior Page)					
Support Services:					
Salaries	\$ 47,151	\$ 16,984	\$ 64,135	\$ 64,135	\$ -
Purchased Prof/Tech Services	18,000	(5,654)	12,346	9,328	3,018
Rental of Land and Buildings	260,000		260,000	260,000	-
Other Purchased Services	45,700	126,618	172,318	171,253	1,065
Insurance for Property, Liability and Fidelity	35,000	(2,258)	32,742	32,742	-
Supplies and Materials	5,000	9,268	14,268	13,656	612
Energy Costs (Heat and Electricity)	45,000	(2,400)	42,600	39,950	2,650
Miscellaneous Expenses	7,000	(1,558)	5,442	4,092	1,350
Total Support Services	462,851	141,000	603,851	595,156	8,695
Capital Outlay:					
Non-Instructional Equipment		32,000	32,000	31,500	500
Miscellaneous Expenses	50,000	13,000	63,000	51,962	11,038
Total Capital Outlay	50,000	45,000	95,000	83,462	11,538
On-Behalf TPAF Pension Contributions (Non-Budgeted)				92,550	(92,550)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				46,136	(46,136)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				59,776	(59,776)
On-Behalf TPAF Long-Term Disability Insurance Contributions (Non-Budgeted)				248	(248)
Total Expenditures	1,708,197	250,323	1,958,520	2,057,086	(98,566)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(472,142)	(289,302)	(761,444)	(395,381)	366,063
FUND BALANCE, JULY 1	1,783,156	-	1,783,156	1,783,156	-
FUND BALANCE, JUNE 30	\$ 1,311,014	\$ (289,302)	\$ 1,021,712	\$ 1,387,775	\$ 366,063
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures:					
Budgeted Fund Balance	\$ 1,311,014	\$ (289,302)	\$ 1,021,712	\$ 1,387,775	\$ 366,063
Total	\$ 1,311,014	\$ (289,302)	\$ 1,021,712	\$ 1,387,775	\$ 366,063

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:					
Federal Sources	\$ 64,042	\$ (4,242)	\$ 59,800	\$ 59,800	\$ -
Total Revenues	<u>64,042</u>	<u>(4,242)</u>	<u>59,800</u>	<u>59,800</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	35,000		35,000	35,000	-
General Supplies	2,553	(2,553)	-		-
Total Instruction	<u>37,553</u>	<u>(2,553)</u>	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Support Services:					
Salaries of Supervisors of Instruction			-		-
Personal Services - Employee Benefits	9,800		9,800	9,800	-
Purchased Prof/Ed Services	16,689	(1,689)	15,000	15,000	-
Total Support Services	<u>26,489</u>	<u>(1,689)</u>	<u>24,800</u>	<u>24,800</u>	<u>-</u>
Total Expenditures	<u>64,042</u>	<u>(4,242)</u>	<u>59,800</u>	<u>59,800</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Budgetary Comparison Schedule
 Budget-To-GAAP Reconciliation
 Note to RSI
 For the Fiscal Year Ended June 30, 2018

Note A - Explanation of differences between Budgetary Inflows and GAAP Revenues and Expenditures

		General Fund		Special Revenue Fund
Sources/Inflows of Resources				
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1]	\$ 1,661,705	[C-2]	59,800
 Difference - Budget to GAAP Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized				-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2]	\$ 1,661,705	[B-2]	\$ 59,800
 Uses/Outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 2,057,086	[C-2]	59,800
 Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.				-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2]	\$ 2,057,086	[B-2]	\$ 59,800

REQUIRED SUPPLEMENTARY INFORMATION – PART III

**SECTION L – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET
PENSION LIABILITY FOR TPAF AND PERS AND CHARTER SCHOOL’S PERS
CONTRIBUTIONS**

The schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Required Supplementary Information Schedules
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Public Employees Retirement System
 Last Five Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,		
	2018	2017	2016
Charter School's proportion of the net pension liability	0.0006544737%	0.0004576841%	0.0005338874%
Charter School's proportionate share of the net pension liability	\$ 152,351	\$ 135,533	\$ 119,847
Charter School's covered employees payroll	\$ 10,668	\$ 54,496	\$ 40,668
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	1428.11%	248.70%	294.70%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.93%
			52.08%

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Required Supplementary Information Schedules
 Schedule of the Charter School Contributions
 Public Employees Retirement System
 Last Five Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,		
	2018	2017	2016
Contractually required contribution	\$ 6,063	\$ 4,066	\$ 4,590
Contributions in relation to the contractually required contribution	<u>(6,342)</u>	<u>(4,066)</u>	<u>(4,590)</u>
Contribution deficiency/(excess)	<u>\$ (279)</u>	<u>\$ -</u>	<u>\$ (271)</u>
Charter School's covered employee payroll	\$ 10,668	\$ 54,496	\$ 40,668
Contributions as a percentage of covered employee payroll	56.83%	7.46%	11.29%
			12.88%

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Required Supplementary Information Schedules
 Schedule of the Charter School's Proportionate Share of the Net Pension Liability
 Teachers Pension and Annuity Fund
 Last Five Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,		
	2018	2017	2016
State's proportion of the net pension liability attributable of the Charter School	0.0058319069%	0.0050558025%	0.0047887990%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 3,932,082	\$ 3,977,216	\$ 3,026,725
Charter School's covered employees payroll	\$ 605,664	\$ 580,423	\$ 583,342
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	649.22%	685.23%	518.86%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%
			0.0045573251%
			2,435,742
			557,866
			436.62%
			33.64%

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

**SECTION M – CHARTER SCHOOL’S PROPORTIONATE SHARE OF THE NET
OPEB LIABILITY FOR TPAF AND PERS**

The schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Required Supplementary Information Schedules
 Schedule of Changes in the Charter School's Proportionate Share of Total OPEB Liability and Related Ratios
 Teachers Pension and Annuity Fund and Public Employees Retirement System
 Last Two Fiscal Years
 Unaudited

	Fiscal Year Ending June 30,	
	2018	2017
OPEB Liability at Beginning of Measurement Period	\$ 1,331,808	Not Available
Changes Recognized for the Fiscal Year:		
Service Cost	132,563	Not Available
Interest on Total OPEB Liability	41,322	Not Available
Effect on Changes of Assumptions	(169,980)	Not Available
Contributions from the Employees	1,114	Not Available
Gross Benefit Paid by the State	(30,263)	Not Available
Net Changes	(25,244)	-
OPEB Liability at the End of Measurement Period	\$ 1,306,564	\$ 1,331,808
Charter School's Proportionat Share of the Total OPEB Liability	0.0024358088%	0.0023028997%
Charter School's Covered Employees Payroll	\$ 616,332	\$ 634,919
Total Charter School's OPEB Liability as a Percentage of Covered Employee Payroll	211.99%	209.76%
Charter School's Contributions	None	None

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Notes to Required Supplementary Information

Public Employees Retirement System

For Fiscal Year Ended June 30, 2018

NET PENSION LIABILITY (SCHEDULES L-1 AND L-2)

A. Benefit Changes

There were none.

B. Changes in Assumptions

For 2017, 2016, 2015, and 2014 years, the discount rates changed to 5.00%, 3.98%, 4.90%, and 5.39%, respectively, and the long-term expected rates of return changed to 7.00%, 7.65%, 7.90%, and 7.90%, respectively. Demographic assumptions were revised in accordance with the results of the July 1, 2011 - June 30, 2014 experience study and the mortality improvement scale incorporated the plan actuary's modified MP-2014 projection scale. Further, salary increases were assumed to increase between 1.65% and 4.15% (based on age) through fiscal year 2026 and 2.65% and 5.15% (based on age) for each fiscal year thereafter. In addition, the social security wage base was set at \$127,200 for 2017, \$118,500 for both 2016 and 2015, and \$117,000 for 2014, increasing 4.00% per annum, compounded annually and the 401(a)(17) pay limit was set at \$270,000 for 2017, \$265,000 for both 2016 and 2015, and \$260,000 for 2014, increasing 3.00% per annum, compounded annually.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The increase in the OPEB liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.58% as of June 30, 2016 to 3.58% as of June 30, 2017.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Notes to Required Supplementary Information
Teachers Pension and Annuity Fund
For Fiscal Year Ended June 30, 2018

NET PENSION LIABILITY (SCHEDULE L-3)

A. Benefit Changes

There were none.

B. Changes in Assumptions

For 2017, 2016, 2015, and 2014 years, the discount rates changed to 4.25%, 3.22%, 4.13%, and 4.68%, respectively, and the long-term expected rates of return changed to 7.00%, 7.65%, 7.90%, and 7.90%, respectively. Further, the demographic assumptions were revised to reflect those recommended on the basis of the July 1, 2012 - June 30, 2015 experience study.

NET OPEB LIABILITY (SCHEDULE M-1)

A. Benefit Changes

There were none.

B. Changes in Assumptions

The increase in the OPEB liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.58% as of June 30, 2016 to 3.58% as of June 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

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

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

CLASSICAL ACADEMY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	Title I	IDEA Part B	Total
Revenues:			
Federal Sources	\$ 44,800	\$ 15,000	\$ 59,800
Total Revenues	<u>\$ 44,800</u>	<u>\$ 15,000</u>	<u>\$ 59,800</u>
Expenditures:			
Instruction:			
Salaries of Teachers	\$ 35,000	\$ -	\$ 35,000
Total Instruction	<u>35,000</u>	<u>-</u>	<u>35,000</u>
Support Services:			
Personal Services/Employee Benefits	9,800		9,800
Purchased Prof/Ed Services		15,000	15,000
Total Support Services	<u>9,800</u>	<u>15,000</u>	<u>24,800</u>
Total Expenditures	<u>44,800</u>	<u>15,000</u>	<u>59,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

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

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

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

**SECTION H – FIDUCIARY FUNDS
DETAIL STATEMENT**

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

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

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

Payroll Agency Fund – This agency fund is used to account for payroll transactions of the Charter School.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Fiduciary Funds

Combining Statement of Fiduciary Net Position

As of June 30, 2018

	Agency			Total Agency Fund
	Payroll Agency	Net Payroll	Student Activities	
ASSETS:				
Cash and Cash Equivalents	\$ 4,747	\$ 1,480	\$ 18,936	\$ 25,163
Total Assets	\$ 4,747	\$ 1,480	\$ 18,936	\$ 25,163
LIABILITIES:				
Interfund Accounts Payable	\$ 3,425	\$ 1,480	\$ 3,804	\$ 8,709
Payroll Deductions and Withholdings	1,322			1,322
Due to Student Groups			15,132	15,132
Total Liabilities	\$ 4,747	\$ 1,480	\$ 18,936	\$ 25,163

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Fiduciary Funds

Student Activity Agency Fund

Schedule of Receipts and Disbursements

For the Fiscal Year Ended June 30, 2018

	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
School Activities	<u>\$ 20,100</u>	<u>\$ 42,744</u>	<u>\$ 43,908</u>	<u>\$ 18,936</u>
Total	<u><u>\$ 20,100</u></u>	<u><u>\$ 42,744</u></u>	<u><u>\$ 43,908</u></u>	<u><u>\$ 18,936</u></u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
ASSETS:				
Cash and Cash Equivalents	\$ 2,252	\$ 258,756	\$ 256,261	\$ 4,747
Interfund Accounts Receivable	2,497	-	2,497	-
Total Assets	\$ 4,749	\$ 258,756	\$ 258,758	\$ 4,747
LIABILITIES:				
Interfund Accounts Payable	\$ 533	\$ 258,756	\$ 255,864	\$ 3,425
Payroll Deductions and Withholdings	4,216	-	2,894	1,322
Total Liabilities	\$ 4,749	\$ 258,756	\$ 258,758	\$ 4,747

**STATISTICAL SECTION
(UNAUDITED)**

GASB requires that ten years of statistical data be presented. The following information is presented utilizing information available. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable To Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter school-wide information include information beginning in that year.*

FINANCIAL TRENDS

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Net Assets/Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental Activities										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 474,785	\$ 499,482	\$ 524,179	\$ 555,175	\$ 583,179	\$ 616,532	\$ 641,836	\$ 1,143,471	\$ 834,503	\$ 557,152
Restricted	21,644	6,000	-	5,000	-	600,000	600,000	-	-	-
Unrestricted	1,287,731	1,718,057	1,760,352	1,720,639	-	1,077,609	825,702	673,979	683,355	699,849
Total Governmental Activities Net Assets/Position	\$ 1,784,160	\$ 2,223,539	\$ 2,284,531	\$ 2,280,814	\$ 583,179	\$ 2,294,141	\$ 2,067,538	\$ 1,817,450	\$ 1,517,858	\$ 1,257,001
Business-Type Activities										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	76	-	-	-	-	-	-	-
Total Business-Type Activities Net Assets/Position	\$ -	\$ -	\$ 76	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charter School-wide										
Net Investment in Capital Assets										
Invested in capital assets, net of related debt	\$ 474,785	\$ 499,482	\$ 524,179	\$ 555,175	\$ 583,179	\$ 616,532	\$ 641,836	\$ 1,143,471	\$ 834,503	\$ 557,152
Restricted	21,644	6,000	-	5,000	-	600,000	600,000	-	-	-
Unrestricted	1,287,731	1,718,057	1,760,428	1,720,639	-	1,077,609	825,702	673,979	683,355	699,849
Total Charter School-wide Net Assets/Position	\$ 1,784,160	\$ 2,223,539	\$ 2,284,607	\$ 2,280,814	\$ 583,179	\$ 2,294,141	\$ 2,067,538	\$ 1,817,450	\$ 1,517,858	\$ 1,257,001

Source: Comprehensive Annual Financial Report

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

Changes in Net Assets/Position
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	Fiscal Year Ending June 30,									
	2018	2017	2015	2014	2013	2012	2011	2010	2009	
Expenses										
Governmental Activities:										
Instruction	\$ 912,748	\$ 812,836	\$ 870,500	\$ 649,044	\$ 520,890	\$ 492,455	\$ 464,100	\$ 483,743	\$ 421,460	
Administration	654,946	471,125	375,015	373,186	281,914	263,412	214,127	222,566	202,317	
Support Services	648,007	202,644	221,090	54,982	173,709	166,202	190,302	155,083	151,922	
Capital Outlay	83,462	-	-	239,852	8,397	32,143	24,432	22,351	180,788	
Unallocated Depreciation	24,697	24,697	30,996	16,787	33,701	-	32,143	32,408	30,101	
Total Governmental Activities Expenses	<u>2,323,860</u>	<u>1,511,302</u>	<u>1,497,601</u>	<u>1,211,777</u>	<u>1,018,611</u>	<u>954,212</u>	<u>925,124</u>	<u>916,151</u>	<u>986,588</u>	
Business-Type Activities:										
Food Service	-	76	-	-	-	-	-	-	-	
Total Business-Type Activities Expenses	<u>2,323,860</u>	<u>1,511,378</u>	<u>1,497,601</u>	<u>1,211,777</u>	<u>1,018,611</u>	<u>954,212</u>	<u>925,124</u>	<u>916,151</u>	<u>986,588</u>	
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 29,546	\$ 4,345	\$ 327,867	\$ -	\$ 23,746	\$ -	\$ -	\$ 35,178	\$ -	
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	
Total Governmental Activities Revenues	<u>29,546</u>	<u>4,345</u>	<u>327,867</u>	<u>-</u>	<u>23,746</u>	<u>-</u>	<u>31,727</u>	<u>35,178</u>	<u>12,562</u>	
Business-Type Activities:										
Charges for Services	-	-	76	-	-	-	-	-	-	
Operating Grants and Contributions	-	-	-	-	-	-	-	-	-	
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	
Total Business-Type Activities Revenues	<u>-</u>	<u>-</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Charter School Program Revenues	<u>29,546</u>	<u>4,345</u>	<u>327,943</u>	<u>-</u>	<u>23,746</u>	<u>-</u>	<u>31,727</u>	<u>35,178</u>	<u>12,562</u>	
Net (Expense)/Revenue										
Governmental Activities	\$ (2,294,314)	\$ (1,506,957)	\$ (1,169,734)	\$ (1,211,777)	\$ (994,865)	\$ (954,212)	\$ (893,397)	\$ (880,973)	\$ (974,026)	
Business-Type Activities	-	(76)	76	-	-	-	-	-	-	
Total Charter School-wide Net Expense	<u>(2,294,314)</u>	<u>(1,507,033)</u>	<u>(1,169,658)</u>	<u>(1,211,777)</u>	<u>(994,865)</u>	<u>(954,212)</u>	<u>(893,397)</u>	<u>(880,973)</u>	<u>(974,026)</u>	
General Revenues and Other Changes in Net Assets/Position										
Governmental Activities:										
General Purposes	\$ 185,465	\$ 162,653	\$ 832,152	\$ 1,066,313	\$ 1,209,945	\$ 1,199,599	\$ 1,074,880	\$ 1,067,298	\$ 926,019	
Federal and State Aid Not Restricted	1,387,551	1,281,758	337,895	352,663	-	-	93,050	78,356	184,798	
Investment Earnings	617	-	-	-	-	-	-	-	-	
Miscellaneous Income	281,302	1,554	3,404	1,037	11,523	4,701	25,059	16,176	174,174	
Total Governmental Activities	<u>1,854,935</u>	<u>1,445,965</u>	<u>1,173,451</u>	<u>1,312,835</u>	<u>1,221,468</u>	<u>1,204,300</u>	<u>1,192,989</u>	<u>1,161,830</u>	<u>1,284,991</u>	
Business-Type Activities:										
Investment Earnings	-	-	-	-	-	-	-	-	-	
Miscellaneous Income	-	-	-	-	-	-	-	-	-	
Total Business-Type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total Charter School-wide	<u>1,854,935</u>	<u>1,445,965</u>	<u>1,173,451</u>	<u>1,312,835</u>	<u>1,221,468</u>	<u>1,204,300</u>	<u>1,192,989</u>	<u>1,161,830</u>	<u>1,284,991</u>	
Change in Net Assets/Position										
Governmental Activities	\$ (439,379)	\$ (60,992)	\$ 3,717	\$ (114,364)	\$ 226,603	\$ 250,088	\$ 299,592	\$ 280,857	\$ 310,965	
Business-Type Activities	-	(76)	76	-	-	-	-	-	-	
Total Charter School	<u>(439,379)</u>	<u>(61,068)</u>	<u>3,793</u>	<u>(114,364)</u>	<u>226,603</u>	<u>250,088</u>	<u>299,592</u>	<u>280,857</u>	<u>310,965</u>	

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Fund Balances - Governmental Funds
 Last Ten Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted	\$ 21,644	\$ 6,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unassigned	1,366,131	1,777,156	1,801,755	1,744,005	1,596,578	1,077,609	825,702	1,143,471	834,503	557,152
Total General Fund	\$ 1,387,775	\$ 1,783,156	\$ 1,801,755	\$ 1,749,005	\$ 1,596,578	\$ 1,077,609	\$ 825,702	\$ 1,143,471	\$ 834,503	\$ 557,152

Source: Comprehensive Annual Financial Report

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Changes in Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

Fiscal Year Ending June 30,	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local Sources:										
Local Tax Levy	\$ 948,530	\$ 817,182	\$ 1,157,853	\$ 1,066,313	\$ 866,386	\$ 915,511	\$ 854,582	\$ 1,074,880	\$ 1,091,198	\$ 808,042
Interest in Investments	617	-	-	-	-	-	-	-	-	-
Miscellaneous	281,302	1,554	3,404	15,892	1,037	3,126	4,701	2,292	262	1,783
State Sources	431,256	533,776	148,561	201,927	330,310	294,434	345,017	93,050	54,456	302,775
Federal Sources	59,800	97,798	47,171	28,703	22,373	23,746	-	31,727	35,178	12,562
Total Revenues	1,721,505	1,450,310	1,356,989	1,312,835	1,220,106	1,236,817	1,204,300	1,201,949	1,181,094	1,125,162
Expenditures:										
Instruction	670,180	615,293	587,347	540,159	541,024	520,890	492,455	432,373	448,565	408,898
Administration	743,288	677,757	533,546	525,953	464,640	281,914	263,412	245,854	257,744	214,879
Support Services	619,956	175,859	183,346	94,296	55,621	173,709	166,202	190,302	155,083	151,922
Capital Outlay	83,462	-	-	-	239,852	8,397	-	24,452	22,351	180,788
Total Expenditures	2,116,886	1,468,909	1,304,239	1,160,408	1,301,137	984,910	922,069	892,981	883,743	956,487
Net Change in Fund Balance	\$ (395,381)	\$ (18,599)	\$ 52,750	\$ 152,427	\$ (81,031)	\$ 251,907	\$ 282,231	\$ 308,968	\$ 297,351	\$ 168,675

Source: Comprehensive Annual Financial Report

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

General Fund - Other Local Revenue by Source

Last Ten Fiscal Years

(modified accrual basis of accounting)

Unaudited

Fiscal Year Ending June 30,	Miscellaneous Revenue	Annual Total
2018	\$ 281,302	\$ 281,302
2017	1,554	1,554
2016	3,404	3,404
2015	15,892	15,892
2014	1,037	1,037
2013	3,126	3,126
2012	4,701	4,701
2011	2,292	2,292
2010	262	262
2009	1,783	1,783

Source: Charter School records

DEMOGRAPHIC AND ECONOMIC INFORMATION

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2017	86,607	45,016	**	4.70%
2016	86,414	**	47,547	5.80%
2015	86,320	**	46,840	5.80%
2014	86,095	44,688	45,053	6.90%
2013	85,597	44,688	43,120	8.80%
2012	85,153	44,600	42,804	10.10%
2011	84,888	43,853	42,086	7.40%
2010	84,201	41,936	40,439	10.20%
2009	78,224	41,050	39,603	7.40%
2008	77,811	41,657	40,216	6.00%

Source:

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

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

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

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

** Data not available

OPERATING INFORMATION

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Full-Time Equivalent Charter School Employees by Function
 Last Ten Fiscal Years

Function	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction	11	11	11	10	10	10	10	10	9	9
Administrative	2	2	3	3	3	3	3	3	2	2
Support Services	2	2	2	3	3	3	3	0	0	0
Total	15	15	16	16	16	16	16	13	11	11

Source: Charter School Personnel Records

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Operating Statistics
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily		Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
							Enrollment (ADE) ^c	Attendance			
2018	118	\$ 2,033,424	\$ 17,232	38.43%	11	10.73:1	108.29	116.33	116.33	-8.87%	107.42%
2017	118	1,468,909	12,448	14.87%	11	10.73:1	117.90	114.40	114.40	0.85%	97.03%
2016	116	1,257,068	10,837	11.08%	11	10.54:1	116.90	113.40	113.40	0.77%	97.01%
2015	116	1,131,705	9,756	7.99%	10	11.60:1	116.00	112.50	112.50	0.86%	96.98%
2014	115	1,038,912	9,034	7.33%	10	11.50:1	115.00	111.60	111.60	-1.74%	97.04%
2013	117	984,829	8,417	5.89%	10	11.70:1	117.00	113.70	113.70	0.85%	97.18%
2012	116	922,069	7,949	8.91%	10	11.60:1	116.00	112.50	112.50	-1.72%	96.98%
2011	118	861,254	7,299	-5.02%	10	11.80:1	118.00	114.50	114.50	2.54%	97.03%
2010	115	883,743	7,685	-21.53%	9	12.78:1	115.00	110.40	110.40	7.83%	96.00%
2009	106	1,038,033	9,793	-14.27%	9	11.78:1	106.00	101.80	101.80	11.32%	96.04%

Sources: Charter School records

Note: Enrollment based on annual October Charter School count.

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 School Building Information
 Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Charter School Building</u>										
Square Feet	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Capacity (students)	120	120	120	120	120	120	120	120	120	120
Enrollment	118	118	116	116	115	117	116	118	115	106

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

Source: Charter School Facilities Office

Note: Increases in square footage and capacity are the result of additions.
 Enrollment is based on the annual October Charter School count.

SCHEDULE OF YOUR CURRENT INSURANCE
Page 1 of 3

A SERVICE OF
ARTHUR J. GALLAGHER
RISK MANAGEMENT SERVICES, INC.
707 STATE ROAD - P.O. BOX 83
PRINCETON, NEW JERSEY 08542
PHONE: 609 924-5000

Prepared For: Classical Academy Charter School of Clifton
20 Valley Road
Clifton, NJ 07013

DATE PREPARED: 9/25/2017

COVERAGE	AMOUNTS/LIMITS	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
<u>PACKAGE POLICY</u> <u>Property</u> Building - Loc#1 Business Personal Property - Loc#1 Business Personal Property - Loc#2 Blanket Extra Expense Blanket Valuable Papers & Records Loss of Business Income/Tuition Deductible Flood Zones A & V Deductible All other Flood Zones Deductible <u>EDP</u> Blanket Hardware/Software Transit, Business Income Computer Virus <u>Boiler & Machinery</u> Property Damage & Extra Expense Deductible <u>Crime</u> Public Employee Dishonesty Loss of Money & Securities Money Orders & Counterfeit Forgery or Alteration Computer Fraud Deductibles: Per schedule	\$1,327,500 \$100,000 \$600,000 \$50,000,000 \$10,000,000 \$1,000,000 \$1,000 \$25,000,000 \$500,000 \$75,000,000 \$10,000 \$650,000 included \$250,000/\$10Mill egg \$100,000,000 \$1,000 \$250,000 \$50,000 \$50,000 \$50,000 \$250,000	1 YR.	7/1/2018	NJSIG	P706AI	\$11,182.60	DIRECT BILLED BY NJSIG (Prepaid) Loc#1 20 Valley Road, Clifton,NJ Loc#2 - 1255 Main Avenue, Clifton, NJ Crisis Management, Breach Response & Environmental included Environmental DOES NOT include mold

We present this schedule so you may get an overall picture of your insurance protection. If you have policies from other insurance offices we suggest you add them to this list to present the complete picture.

Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

SCHEDULE OF YOUR CURRENT INSURANCE

Page 2 of 3

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Classical Academy Charter School of Clifton
 20 Valley Road
 Clifton, NJ 07013

Prepared For:

DATE PREPARED: 9/25/2017

COVERAGE	AMOUNTS/LIMITS	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
General Liability Each Occurrence Products/Completed Ops annual agg Sexual Abuse per occurrence Sexual Abuse annual pool agg Personal & Advertising Injury per occ Personal & Adver. Injury Ann Agg Employee Benefits Employee Benefits Deductible Medical Payments	\$16,000,000 \$16,000,000 \$16,000,000 \$17,000,000 \$16,000,000 \$16,000,000 \$16,000,000 \$1,000 \$10,000						
Business Auto Hired & Non-Owned Auto Liability	\$16,000,000						
ERRORS AND OMISSIONS LIABILITY Coverage A: Limit of Liability each policy period Deductible Coverage B: Limit each claim Limit each policy period Deductible	\$16,000,000 \$5,000 \$100,000 \$300,000 \$5,000	1 YR.	7/1/2018	NJSIG	E706AI	\$4,627.26	DIRECT BILLED BY NJSIG (Prepaid)
WORKERS' COMPENSATION Employers Liability Limits Bodily Injury by Accident Bodily Injury by Disease Bodily Injury by Disease	\$2,000,000 \$2,000,000 \$2,000,000	1 YR. Each Accident Each Employee Aggregate Limit	7/1/2018	NJSIG	W706AI	\$14,658.87	DIRECT BILLED BY NJSIG 12 installments; may be audited Prof payroll of \$802,530 & Non-Prof \$18,350; 0.8820 mod

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Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

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Classical Academy Charter School of Clifton
20 Valley Road
Clifton, NJ 07013

Prepared For:

DATE PREPARED: 9/25/2017

COVERAGE	AMOUNTS/LIMITS	TERM	EXPIRES	COMPANY	POLICY NUMBER	PREMIUM	COMMENTS
<u>SUPPLEMENTAL INDEMNITY</u> Maximum Benefit Period Maximum Weekly Benefit Waiting Period: 7 days	52 Weeks \$2,500	1 YR.	7/1/2018	FEDERAL INS CO (Chubb) (thru NJSIG)	9907-15-88	\$500	DIRECT BILLED BY NJSIG (Prepaid)
<u>BONDS</u> Bima Baje (Board Secretary)	\$150,000	1 YR.	7/1/2018	NJSIG	included in P706AI		premium included in Package
<u>STUDENT ACCIDENT</u> \$1,000,000 Basic/\$5,000,000 Cat	Full Excess	1 YR.	7/1/2018	ZURICH AMERICAN INS (Bollinger)	MCB5858677	\$632.86	Agency bill, prepaid
<u>FF GROUP CATASTROPHE POLICY - Group Policy</u> Limit Each Occurrence Group Aggregate EPL Sublimit: \$25,000,000	\$50,000,000 \$150,000,000	1 YR.	7/1/2018	FIREMANS FUND INDEMNITY (Allianz)	SHX-000-5810-8267	\$1,114	Agency bill, prepaid

We present this schedule so you may get an overall picture of your insurance protection. If you have policies from other insurance offices we suggest you add them to this list to present the complete picture.

Please examine this schedule with particular reference to the amount or limits of your insurance. Today's property values and liability judgements are higher and insurance should be adjusted to cover.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2016	2017	2018	Source
	Audit	Audit	Audit	
Cash	1,558,255	1,764,045	1,221,498	Audit: Exhibit A-1
Current Assets (includes CASH)	1,847,319	1,850,351	1,422,713	Audit: Exhibit A-1
Total Assets	2,371,498	2,446,294	1,897,498	Audit: Exhibit A-1
Current Liabilities	45,488	67,195	34,938	Audit: Exhibit A-1
Total Liabilities	169,401	87,202	187,289	Audit: Exhibit A-1
Net Assets	2,284,607	2,223,539	1,784,160	Audit: Exhibit A-1
Total Revenue	1,501,394	1,450,310	1,884,481	Audit: Exhibit A-2
Total Expenses	1,497,601	1,511,378	2,323,860	Audit: Exhibit A-2
Change in Net Assets	3,793	(61,068)	(439,379)	Audit: Exhibit A-2
Depreciation Expense	30,996	24,697	24,697	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	116.00	118.00	118.00	DOE Enrollment Reports
March, 30th Budgeted Enrollment	120	120	120	Charter School Budget

RATIOS ANALYSIS...					Changes
Near Term Indicators	2016	2017	2018	3 YR CUM	Source:
1a. Current Ratio	40.61	27.54	40.72		Current Assets/Current Liabilities
1b. Unrestricted Days Cash	379.78	426.02	191.86		Cash/(Total Expenses/365)
1c. Enrollment Variance	97%	98%	98%		Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A		Audit
Sustainability Indicators					
2a. Total Margin	0%	-4%	-23%	-10%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.07	0.04	0.10		Total Liabilities/Total Assets
2c.** Cash Flow	(152,432)	205,790	(542,547)	(489,189)	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)
					Target
					> 1.1
					30-60
					>95%
					not in default
					positive
					<.9
					3 yr cum positive
					>1.10

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

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

SINGLE AUDIT SECTION

BARRE & COMPANY LLC
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**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 AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Classical Academy Charter School of Clifton (Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated February 28, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters


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

However, we noted certain matters that we have reported to the Board of Trustees of the Classical Academy Charter School of Clifton in the County of Passaic, New Jersey in a separate *Auditor's Management Report* dated February 28, 2019.

Purpose of this Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountant


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

Union, New Jersey
February 28, 2019

BARRE & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB
CIRCULAR 15-08**

INDEPENDENT AUDITOR’S REPORT

Honorable President and
Members of the Board of Education
Classical Academy Charter School of Clifton
County of Passaic
Clifton, New Jersey

Report on Compliance for Each Major State Program

We have audited the compliance of the Classical Academy Charter School of Clifton (School District), in the County of Passaic, State of New Jersey, with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District’s major state programs for the year ended June 30, 2018. The School District’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the School District’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; the audit requirements as prescribed by the Office of School Finance,

Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance, and New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Classical Academy Charter School of Clifton, in the County of Passaic, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Classical Academy Charter School of Clifton is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

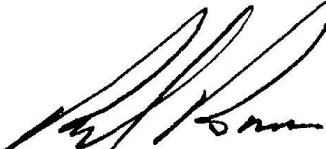
weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purposes.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


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

Union, New Jersey
February 28, 2019

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	FAIN	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2017	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2018 Deferred Revenue	Due to Grantor
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
No Child Left Behind Cluster:														
Title I Part A	84-010	S010A170030	NCLB - 6230 - 18	\$ 47,353	7/1/17	\$ -	\$ -	\$ 17,920	\$ (44,800)	\$ -	\$ -	\$ (26,880)	\$ -	\$ -
	84-010	S010A150030	NCLB - 6230 - 15	15,000	7/1/14	5,235	-	17,920	(44,800)	-	(5,235)	(26,880)	-	-
Total No Child Left Behind Cluster				62,353		5,235	-	35,840	(89,600)	-	(5,235)	(53,760)	-	-
Special Education Cluster (IDEA):														
IDEA - Part B Basic	84-027	H027A170100	IDEA - 6230 - 18	16,689	7/1/17	(10,865)	-	4,628	(15,000)	-	-	(10,372)	-	-
IDEA - Part B Basic Carryover	84-027	H027A160100	IDEA - 6230 - 17	31,784	7/1/16	(10,865)	-	10,865	(15,000)	-	-	(10,372)	-	-
Total Special Education Cluster (IDEA)				48,473		(21,730)	-	15,493	(30,000)	-	-	(20,744)	-	-
Sub-Total Federal Financial Awards				110,826		(16,530)	-	51,333	(119,600)	-	(5,235)	(74,504)	-	-

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2018

State Grantor/Program Title	Client or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/ Reversals of Prior Years Balance	Balance at June 30, 2018		MEMO	
			From	To	Deferred Revenues (Accounts Receivable)	Due to Grantor					Deferred Inflows/ Payable	Due to Grantor		Budgetary Receivable
State Department of Education														
General Fund:														
State Aid-Public Cluster:														
Equalization Aid	18-495-034-5120-078	\$ 185,465	7/1/17	6/30/18	\$ -	\$ -	\$ -	\$ 185,465	\$ (185,465)	\$ (1,884)	\$ -	\$ -	\$ -	\$ 185,465
Equalization Aid	17-495-034-5120-078	162,663	7/1/16	6/30/17		1,884								
Special Education Categorical Aid	18-495-034-5120-089	29,546	7/1/17	6/30/18			29,546	(29,546)						29,546
Security Aid	18-495-034-5120-084	7,309	7/1/17	6/30/18			7,309	(7,309)						7,309
Adjustment Aid	18-495-034-5120-085	10,226	7/1/17	6/30/18		42	10,226	(10,226)						10,226
Adjustment Aid	17-495-034-5120-085	194,675	7/1/16	6/30/17		1,926				(42)				
Total State Aid-Public Cluster							232,546	(232,546)		(1,926)				232,546
Other General Funds:														
On-Behalf TPAF Post-Retirement Medical Contributions	18-495-034-5094-001	59,776	7/1/17	6/30/18			59,776	(59,776)						59,776
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	46,136	7/1/17	6/30/18			92,550	(92,550)						92,550
Reimbursed TPAF - Social Security	18-495-034-5094-003	46,136	7/1/17	6/30/18		(4,713)	4,944	(46,136)			(2,191)		2,191	46,136
Reimbursed TPAF - Social Security	17-495-034-5094-003	47,459	7/1/16	6/30/17			4,713	(248)						
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	248	7/1/17	6/30/18			248	(248)						248
Total Other General Funds						(4,713)	201,232	(198,710)			(2,191)		2,191	198,710
Total State Financial Assistance						\$ (4,713)	\$ 433,778	\$ (431,256)		\$ (1,926)	\$ (2,191)	\$ -	\$ 2,191	\$ 431,256
State Financial Assistance Not Subject to Major Program Determination:														
General Fund:														
On-Behalf TPAF Post-Retirement Medical Contributions	18-495-034-5094-001	59,776	7/1/17	6/30/18			(59,776)	59,776						(59,776)
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	92,550	7/1/17	6/30/18			(92,550)	92,550						(92,550)
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	248	7/1/17	6/30/18			(248)	248						(248)
Total On-Behalf TPAF Pension System Contributions							(152,574)	152,574						(152,574)
Total State Financial Assistance Subject to Major Program Determination						\$ (4,713)	\$ 281,204	\$ (278,682)		\$ (1,926)	\$ (2,191)	\$ -	\$ 2,191	\$ 278,682

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 – *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-44.2*.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

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

	Federal	State	Total
General Fund	\$ -	\$ 431,256	\$ 431,256
Special Revenue Fund	59,800	-	59,800
Total Awards & Financial Assistance	<u>\$ 59,800</u>	<u>\$ 431,256</u>	<u>\$ 491,056</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOANS OUTSTANDING

Classical Academy Charter School of Clifton has no loan balances outstanding at June 30, 2018.

NOTE 6. OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long-Term Disability Insurance represents the amount paid by the state on behalf of the charter school for the year ended June 30, 2018. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2018

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

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. The following funds by program are included in schoolwide programs in the charter school.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 44,800
Total	<u>\$ 44,800</u>

NOTE 9. DE MINIMIS INDIRECT COST RATE

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards – N/A

Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	_____ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	None _____ Reported
Type of auditors’ report issued on compliance for major programs		<u>Not Applicable</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	_____ Yes	_____ No

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

No major programs identified.

Dollar threshold used to distinguish between Type A and Type B programs:		Not Applicable
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Auditee qualified as low-risk auditee?	_____ Yes	_____ No
--	-----------	----------

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section I – Summary of Auditor’s Results (Continued)

State Awards

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Internal control over major programs:

 1) Material weakness(es) identified? Yes No

 2) Significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ Circular Letter 15-08-OMB, as applicable? Yes No

Identification of major state programs:

GMIS Number(s)

Name of State Program

No major programs identified.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

Section II –Financial Statement Findings – N/A

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting..

Finding

There were no matters reported.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

***Section III –Federal and State Financial Assistance
Findings and Questioned Costs – N/A***

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

FEDERAL AWARDS

Findings

There were no matters reported.

STATE AWARDS

Findings

There were no matters reported.

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON
Summary Schedule of Prior Year Audit Findings
And Questioned Costs As Prepared by Management
For the Fiscal Year Ended June 30, 2018

STATUS OF PRIOR-YEAR FINDINGS – N/A

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (511 (a)(b)) and NJ Circular 04-04-OMB and/or 15-08-OMB, as applicable.

Findings

There were no matters reported.