

Gray Charter School
**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

PREPARED BY

GRAY CHARTER SCHOOL

GRAY CHARTER SCHOOL

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Tel: 973-824-6661 * Fax: 973-824-2296

February 7, 2019

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the Gray Charter School (the “Charter School”) for the fiscal year ended June 30, 2018.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Gray Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

New Jersey Department of Education
The Commissioner
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The Charter School is required to undergo an annual single audit in conformity with the provisions of the *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 the New Jersey OMB's Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) Reporting Entity and Its Services

The Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the Charter School is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

The Charter School is open to all Newark students on a space available basis and does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, proficiency in the English language, or any other basis that would be illegal if used by a charter school.

By the end of 2017-2018 school year, the Charter School had a student enrollment of 337.

2) Economic Condition and Outlook

The Charter School is located in the City of Newark, which is the largest city in the state. The City serves as the county seat for Essex County, with County, State, Federal Courts and governmental offices attracting a large number of law firms to the central business district.

Newark is a transportation center serviced by Interstate Highway system, NJ Transit, Amtrak Rail Links, and Newark International Airport, as well as container and cargo facilities at Port Newark-Elizabeth.

2) **Economic Condition and Outlook** – *continued*

It is the insurance, finance and banking capital of the State. Headquartered in Newark are a number of large financial institutions including the Prudential Insurance Company, and Blue Cross blue Shield of New Jersey, as well as the State's largest public utility, Public Service Electric and Gas Company.

Newark is the site of the Rutgers University School of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, the Newark campus of Rutgers University, Seton Hall Law School and Essex County College. Covering over 320 acres, these colleges serve a population of 45,000 students and faculty.

The City of Newark has been obliged to perform a revaluation of property holdings. Among the concerns voiced in conjunction with this change is the potential effect of the redistribution of property tax burden on economic activity and on the ability of local government to maintain and improve services including its tax contribution for public school purposes.

The City has experienced a surge of large-scale economic development projects initiated by the private sector over the last decade. The increasing number of businesses relocating to the area is expected to result in an increase in employment level, which could result in an increased tax base, both residential and industrial, and an increase in annual daily enrollment. The period of economic development and expansion is expected to continue which suggests that the Charter School will continue to prosper. As our enrollment increases we plan to lease additional facilities at our current location and possibly in surrounding areas in the City.

3) **Charter School Enrollment, Demographics and Other Highlights**

The Charter School understands its responsibility to serve all students, including special education students, English Language Learners, students who qualify for free or reduced-price lunch, and other underserved or at-risk populations.

The Charter School is a data driven school environment, focused on providing quality instruction for all learners with varied needs, abilities, and strengths. As a tool to allow the school to focus on building quality instruction we rely heavily on data and its implications for needs of students, staff, parents, community, as well as external stakeholders. For this reason, we are survey driven and much of our information is provided through surveys, evaluations from workshops, PTA meetings, professional development sessions, and staff meetings. Upon receiving the data, it is then broken down and placed in various categories. As a Data Team we work collectively to discuss the data and refine our SMART goals, literacy and professional development goals to support our students, teachers, parents, and the school community.

3) **Charter School Enrollment, Demographics and Other Highlights** – *continued*

Our learning environment uses Positive Discipline, and we have policies and procedures that support a safe and healthy learning environment, which is what parents admire most, based on survey data. Second to our safe and healthy learning environment, we have developed a learning environment where learners are valued and challenged beyond normal limits, supporting our Gifted and Talented Program. Moreover, exceptional learners are provided with support based on their IEPs as well as individualized lesson plans, one and small group support to facilitate the development and mastery of benchmark goals and assessments. Secondly, our School Based Support Team and Guidance staff works diligently to ensure compliance with the IDEA (Individual With Disability Education Act) and its framework. Furthermore, as a school community we have implemented and applied a curriculum that is rigorous, relevant, and respective of the students we serve.

Additionally, teachers use pacing guides to ensure material is covered carefully and applying appropriate resources and tools.

In order to increase student achievement we have taken a number of measures to ensure student success by adding additional programs as well refining programs that are currently in place. As a learning community, we will have students partake in more service learning projects that are tightly aligned to the curriculum; allowing students to problem solve and think critically.

We will continue to conduct workshops that foster greater student achievement and parent participation. Our Guidance Counselor facilitates the operation of a middle school transition program, thereby allowing smooth transitioning into the middle grades.

Therefore, as teachers are learning and processing the information, and maintaining intellectual accountability for their own development and student achievement, they have recorded their reflections. Thus, by educators reflecting on their professional experiences this will consistently build a formidable repertoire of skills that can be contributed to valuable learning experiences given to our students.

As an example, the Parent Academy is bridging the gap between home and school, by educating parents and pupils. In fact, this outreach program engages and empowers parents, sets academic expectations, and together as a team, parents, staff, and students work together as a collective unit. This program provides parents with a toolkit, designed to educate parents about their child's academic development, strategies, resources, helpful homework hints, and suggestions for promoting high academic standards. Thus, this program is mission centered, and illustrates a marked concern for our students to perpetuate a cycle of successful learning experiences, that promote life-long learning.

3) **Charter School Enrollment, Demographics and Other Highlights** – *continued*

For this purpose, our professional development program centers on building competencies of staff, that will allow them to continuously utilize an inquiry based approach to developing comprehensive themes and interdisciplinary units of study. With attention to the cohort analysis, the staff will utilize the data to effectively create this hands-on minds on curriculum that will manifest itself into a relevant, rigorous, and rich curriculum. The school utilizes several strategies to assess the progress toward the attainment of its goals and objectives.

Pursuing this further, the staff carefully applied their competencies learned in professional development by developing learning on display, academic exhibits that display and carefully connect pieces of the curriculum while increasing student skill sets. Recently, within this school year the entire staff immersed themselves in seamlessly integrated interdisciplinary thematic units of study, that addressed multiple facets of the curriculum such as media literacy, measurement, multi- genre writing, elements of probative inquiry, questioning, engaging in research, and drafting articulate pieces of writing that followed a process driven approach for the development and execution of the academic exhibits. Following this further, the staff continued to work together collectively in cohort analysis and apply strategic approaches learned in professional development to advance the academic outcomes for student progress.

With this in mind, the Charter School we are continually refining our programs to meet the needs of our learners, their families, and the greater community which we serve in Newark, New Jersey.

4) **Internal Accounting Controls**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure 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 system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

4) Internal Accounting Controls - *continued*

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

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of the system of internal controls, including that portion related to federal awards 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 the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. 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 canceled or are included as re-appropriations of fund balance in the subsequent year.

During the 2017-2018 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

6) Accounting System and Report

The Charter School's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school. The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in "Notes to the Financial Statements", Note 1.

7) **Financial Statement Information at Fiscal Year-End**

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 schedule presents a summary of the General Fund, and Special revenue funds for the fiscal year ended June 30, 2018:

**Summary of the General Fund
and Special Revenue Fund Revenues**

Revenue	2018	2017	Increase/ (decrease)	% Change
Local sources	\$ 688,273	\$ 687,168	\$ 1,105	0.16%
State sources	4,925,328	4,773,890	151,438	3.17%
Federal sources	309,861	252,463	57,398	22.74%
	<u>\$ 5,923,462</u>	<u>\$ 5,713,521</u>	<u>\$ 209,941</u>	<u>3.67%</u>

The Charter School experienced an insignificant increase in revenue of about 3.67% which is consistent with the no significant change in enrollment level compared to 2017.

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2018:

**Summary of the General Fund
and Special Revenue Fund Expenditures**

Expenditures	2018	2017	Increase/ (decrease)	% Change
Instruction	\$ 2,062,306	\$ 2,037,717	\$ 24,589	1.21%
Administrative	2,103,495	1,800,662	302,833	16.82%
Support	1,591,601	1,347,804	243,797	18.09%
Capital outlay	-	-	-	100.00%
	<u>\$ 5,757,402</u>	<u>\$ 5,186,183</u>	<u>\$ 571,219</u>	<u>11.01%</u>

The Charter School's expenditures increased by about 11.01%, a portion of the increase is consistent with the no change in enrollment level compared to 2017.

8) Cash Management

The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”. The Charter School has adopted a cash management plan, which 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 loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds 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 and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation.

10) Other Information

Independent Audit

State statute requires an annual audit by independent Certified Public Accountants or registered Municipal Accountants. The Charter School appointed the accounting firm of Olugbenga Olabintan, CPA.

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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB Circular Letter 15-08 “*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*”.

The auditor’s report on the basic financial statements is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

The 2017-2018 school-year was one of modest academic achievement at the Gray Charter School. However, the Charter School continues to enjoy a strong financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

11) Anti-Bullying

On January 5, 2001, Governor Chris Christie signed into law P.L. 2010, Chapter 122 known as the Anti-Bullying Bill of Rights. The Anti-Bullying Bill of Rights Act (“Act”) requires initial and on-going training for all staff members, Anti-Bullying Specialists, Anti-Bullying Coordinators, administrative staff and Board Members. N.J.S.A. 18A:37-22(d) requires every teacher to complete at least two hours of instruction on harassment, intimidation, and bullying prevention in each professional development period. During 2017-2018, on-going training was provided for harassment, intimidation and bullying prevention to comply with the training requirements of the Act.

12) Acknowledgments

A note of appreciation is extended to the Finance Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to the Gray Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the Gray Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

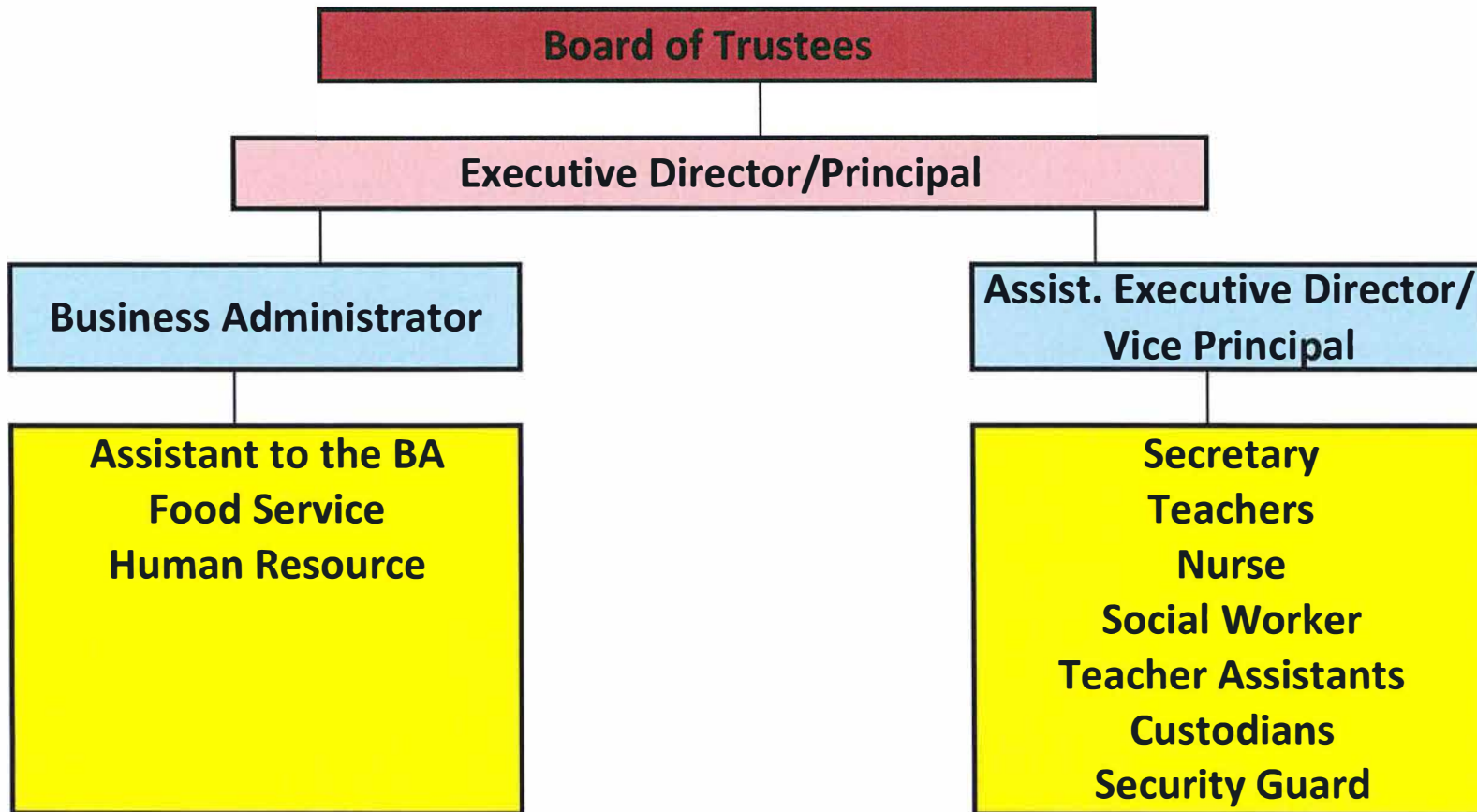
Respectfully submitted,


Miss Verna A. Gray
Executive Director/Principal


School Business Administrator

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**THE GRAY CHARTER SCHOOL
ORGANIZATIONAL CHART
2017-2018**



GRAY CHARTER SCHOOL
ROSTER OF TRUSTEES AND OFFICERS
JUNE 30, 2018

Members of Board of Trustees

Shawanda Jones-Velez, Board President

Ade Afolabi, Board Member

Leroy Mack, Board Member

Leslie Colson, Board Member

Ode Dems, Jr., Board Member

Administration

Verna Gray, Principal

Christopher Pringle, Vice Principal

Karen Milteer, School Business Administrator/Board Secretary

GRAY CHARTER SCHOOL

CONSULTANTS AND ADVISORS

Independent Auditors

Olugbenga Olabintan
Certified Public Accountant/Consultant
137 Camden Street
Newark, NJ 07103

Attorney

Adams, Gutierrez & Lattiboudere, LLC
Attorneys At Law
The Legal Center
1037 Raymond Boulevard
Suite 900
Newark, NJ 07102

Official Depository

TD Bank
Newark, NJ 07103

Financial Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Gray Charter School
Newark, New Jersey
County of Essex

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 Gray Charter School, in the County of Essex, State of New Jersey (the "Charter School") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinion

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

Emphasis of Matter

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

Emphasis of Matter

As discussed in Note 8 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 and Budgetary Comparison Information, and Pension Information* as listed in the table of contents 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 the 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, which consists of the introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal

awards and state financial assistance are presented for purposes of additional analysis as required by the *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 the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

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

The introductory section, financial schedules 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2019 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Olugbenga Olabintan, CPA

February 7, 2019
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Required Supplementary Information

Part I

Management's Discussion and Analysis

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

GRAY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Introduction

This section of the Gray Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- Net position of governmental activities ended the fiscal year with a deficit of \$(352,528). Net position of business-type activities, which represent food service operations ended the fiscal year with \$83,949.
- General revenues accounted for \$5,613,601 in revenue or 92 percent of total revenues of \$5,866,270. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$486,738 or 8 percent of total revenues.
- The Charter School had \$5,899,336 in expenses related to governmental activities; \$309,861 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$5,613,601 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2018, of \$1935,167.

GRAY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Using the Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Gray Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances. 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 Gray Charter School, 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 others, 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.

Reporting the Charter School as a Whole

Statement of Net Position and Statements of Activities

While this report contains the fund 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 asks the question, "how did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These Statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

GRAY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Statement of Net Position and Statement of Activities-continued

These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. The cause of this change may be the result of many factors some financial, some not. Non financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The food service operations/after care programs 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 major funds-not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. 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 statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less 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 the governmental funds are reconciled in the financial statements.

GRAY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, liabilities exceeded assets by \$268,579 at the close of 2018. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets and deferred outflows of resources						
Current assets	\$ 1,988,167	\$ 1,890,049	\$ 83,949	\$ 49,975	\$ 2,072,116	\$ 1,940,024
Capital assets, net	2,702	5,404	-	-	2,702	5,404
Deferred outflows of resources	1,612,546	1,747,300	-	-	1,612,546	1,747,300
Total assets and deferred outflows of resources	3,603,415	3,642,753	83,949	49,975	3,687,364	3,692,728
Liabilities and deferred outflows of resources:						
Current liabilities	53,000	120,942	-	-	53,000	120,942
Long term liabilities	2,435,053	2,634,814	-	-	2,435,053	2,634,814
Deferred outflows of resources	1,467,890	1,263,651	-	-	1,467,890	1,263,651
Total liabilities and deferred inflows of resources	3,955,943	4,019,407	-	-	3,955,943	4,019,407
Net position						
Invested in Capital assets (net of related debt)	2,702	5,404			2,702	5,404
Unrestricted	(355,230)	(382,058)	83,949	49,975	(271,281)	(332,083)
Total net position	\$ (352,528)	\$ (376,654)	\$ 83,949	\$ 49,975	\$ (268,579)	\$ (326,679)

GRAY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School increased by \$58,100 during the current fiscal year ended June 30, 2018. A portion of the increase is attributable to a surplus of \$24,126 in the Governmental Activities. Operating grants and contributions increased by 20 percent.

The table that follows reflects the change in net position for fiscal year 2018.

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charge for services			\$23,982	\$19,096	\$23,982	\$19,096
Operating grants and contributions	\$309,861	\$252,463	152,895	133,653	462,756	386,116
Total program revenues	309,861	252,463	176,877	152,749	486,738	405,212
General revenues:						
Local aid	659,925	600,425			659,925	600,425
Federal and state aid	4,925,328	4,773,890			4,925,328	4,773,890
Miscellaneous	28,348	86,743			28,348	86,743
Transfers	-	-	-	-	-	-
Total general revenues	5,613,601	5,461,058	-	-	5,613,601	5,461,058
Total revenues	5,923,462	5,713,521	176,877	152,749	6,100,339	5,866,270
Expenses:						
Instructions	2,062,306	2,037,717			2,062,306	2,037,717
Administrative & support services	3,834,328	3,319,252			-	-
Unallocated depreciation	2,702	2,702			2,702	2,702
Food service	-	-	142,903	133,653	142,903	133,653
Total expenses	5,899,336	5,359,671	142,903	133,653	6,042,239	5,493,324
Change in net position	\$ 24,126	\$ 353,850	\$ 33,974	\$ 19,096	\$ 58,100	\$ 372,946

Governmental Activities

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, 2018.

GRAY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Governmental Activities - *continued*

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,062,306	\$ 1,886,983
Administrative & support services	3,834,328	3,699,790
Unallocated depreciation	2,702	2,702
Total Expenses	\$ 5,899,336	\$ 5,589,475

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation. This program had revenues of \$176,877 and operating expenses of \$142,903 for fiscal year 2018. The Charter School intended to have food services be self- operating without assistance from the General Fund. During the year ended June 30, 2018, the food service operation earned a surplus of \$33,974.

The Charter School's Funds

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$5,613,601 and expenditures of \$5,447,541 resulting in a current year's surplus of \$166,060.

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.

During the course of fiscal 2018, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School's management teams.

For the General Fund, final budgeted revenues were \$5,084,744, which included a local tax levy of \$659,925. Expenditures and other financing uses were budgeted at \$5,653,944. The Charter School anticipated budgeted fund balance of \$1,199,907 in its 2017-2018 budget year.

GRAY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

The State of New Jersey reimbursed the Charter School \$114,715 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members. The State also paid \$400,214 into the TPAF pension representing on-behalf employer's portion of the Pension System Contributions, Post-Retirement Medical Benefits Contributions and Long Term Disability Insurance Premium Contributions. These unbudgeted amounts were included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2018, the Charter School had \$2,702 invested in capital assets in its governmental activities.

The Charter School's 2018-2019 budget does not anticipate any spending on capital projects.

Long-term debt

At June 30, 2018, the Charter School had \$2,435,053 and \$2,634,814 at June 30, 2018 and 2017, respectively, in net pension liability regarding the Public Employees Retirement System. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2018-2019. 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. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

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 reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

GRAY CHARTER SCHOOL
Business Office
55 Liberty Street
Newark, New Jersey 07102
Tel: (973) 824-6661 * Fax: (973) 824-2296

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2018.

GRAY CHARTER SCHOOL

A-1

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 1,386,417	\$ 37,823	\$ 1,424,240
Restricted cash and cash equivalents	145,385	-	145,385
Accounts receivable	266,550	6,999	273,549
Other current assets	93,336	-	93,336
Interfund receivables	96,479	39,127	135,606
Capital assets (net of accum deprec of \$267,708)	2,702	-	2,702
Total assets	<u>1,990,869</u>	<u>83,949</u>	<u>2,074,818</u>
Deferred outflows of resources			
Pension deferred outflows	<u>1,612,546</u>	<u>-</u>	<u>1,612,546</u>
Total assets and deferred outflows of resources	<u>\$ 3,603,415</u>	<u>\$ 83,949</u>	<u>\$ 3,687,364</u>
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfunds payables	-	-	-
Intergovernmental payable	-	-	-
Deferred revenue	53,000	-	53,000
Net pension liability	<u>2,435,053</u>	<u>-</u>	<u>2,435,053</u>
Total liabilities	<u>2,488,053</u>	<u>-</u>	<u>2,488,053</u>
Deferred inflows of resources			
Pension deferred inflows	<u>1,467,890</u>	<u>-</u>	<u>1,467,890</u>
Total liabilities and deferred inflows of resources	<u>3,955,943</u>	<u>-</u>	<u>3,955,943</u>
Net position			
Invested in capital assets	2,702	-	2,702
Unrestricted, undesignated	<u>(355,230)</u>	<u>83,949</u>	<u>(271,281)</u>
Total net position	<u>(352,528)</u>	<u>83,949</u>	<u>(268,579)</u>
Total liabilities, deferred inflows of resources & net position	<u>\$ 3,603,415</u>	<u>\$ 83,949</u>	<u>\$ 3,687,364</u>

See accompanying notes to financial statements.

GRAY CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 2,062,306	\$ -	\$ 175,323	\$ (1,886,983)	\$ -	\$(1,886,983)
Administrative & support services:						
General administration	2,242,727	-	-	(2,242,727)	-	(2,242,727)
Support services	1,591,601	-	134,538	(1,457,063)	-	(1,457,063)
Capital outlay	-	-	-	-	-	-
Unallocated depreciation	2,702	-	-	(2,702)	-	(2,702)
Total governmental activities	<u>5,899,336</u>	<u>-</u>	<u>309,861</u>	<u>(5,589,475)</u>	<u>-</u>	<u>(5,589,475)</u>
Business-type activities:						
Food service	142,903	23,982	152,895	-	33,974	33,974
After care/summer programs	-	-	-	-	-	-
Total business-type activities	<u>142,903</u>	<u>23,982</u>	<u>152,895</u>	<u>-</u>	<u>33,974</u>	<u>33,974</u>
Total primary government	<u>\$ 6,042,239</u>	<u>\$ 23,982</u>	<u>\$ 462,756</u>	<u>(5,589,475)</u>	<u>33,974</u>	<u>(5,555,501)</u>
General revenues and transfers:						
Local sources				659,925	-	659,925
Federal and state sources				4,925,328	-	4,925,328
Miscellaneous				28,348	-	28,348
Transfers				-	-	-
Total general revenues and transfers				<u>5,613,601</u>	<u>-</u>	<u>5,613,601</u>
Change in net position				24,126	33,974	58,100
Net position - beginning				(376,654)	49,975	(326,679)
Net position - ending				<u>\$ (352,528)</u>	<u>\$ 83,949</u>	<u>\$ (268,579)</u>

See accompanying notes to financial statements.

Funds Financial Statements

Governmental Funds

**GRAY CHARTER SCHOOL
Governmental Funds**

B-1

Balance Sheet

June 30, 2018

	General Fund	Special Revenue Fund	Totals Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,323,479	\$ 62,938	\$ 1,386,417
Restricted cash and cash equivalents	145,385	-	145,385
Accounts receivable:	-	-	-
State	11,050	-	11,050
Federal	-	39,497	39,497
Other	216,003	-	216,003
Security deposit	40,000	-	40,000
Other current assets	53,336	-	53,336
Interfund receivable	145,914	-	145,914
Total assets	\$ 1,935,167	\$ 102,435	\$ 2,037,602
Liabilities and fund balances			
Interfund accounts payables	\$ -	\$ 49,435	\$ 49,435
Accounts payable	-	-	-
Intergovernmental payable	-	-	-
Deferred revenue	-	53,000	53,000
Total liabilities	-	102,435	102,435
Fund balances:			
Unreserved:			
Undesignated	1,935,167	-	1,935,167
Total fund balances	1,935,167	-	1,935,167
Total liabilities and fund balances	\$ 1,935,167	\$ 102,435	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 270,410	
Accumulated depreciation	(267,708)	
	\$ 2,702	2,702

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)

1,612,546

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

(1,467,890)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(2,435,053)

Net position of governmental activities - A-1

\$ (352,528)

See accompanying notes to financial statements.

GRAY CHARTER SCHOOL
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2018

	General Fund	Special Revenue Fund	Total
Revenues:			
Local Sources:			
Local Tax Levy	\$ 659,925	\$ -	\$ 659,925
Miscellaneous	28,348	-	28,348
Total Revenues - Local Sources	688,273	-	688,273
Federal Sources	-	309,861	309,861
State Sources	4,410,399	-	4,410,399
Reimbursed TPAF-Social Security (non-budgeted)	114,715	-	114,715
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	400,214	-	400,214
Total Revenues	5,613,601	309,861	5,923,462
Current expense:			
Instruction	1,886,983	175,323	2,062,306
Administrative	1,588,566	-	1,588,566
Support services	1,457,063	134,538	1,591,601
Capital outlay	-	-	-
Reimbursed and on-behalf payments:			
Reimbursed TPAF-Social Security (non-budgeted)	114,715	-	114,715
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	400,214	-	400,214
Total expenditures	5,447,541	309,861	5,757,402
Excess (deficiency) of revenues over (under) expenditures	166,060	-	166,060
Other financing sources (uses):			
operating transfer out:			
Transfer to food service fund	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	166,060	-	166,060
Fund balances, beginning of year	1,769,107	-	1,769,107
Fund balances, end of year	\$ 1,935,167	\$ -	\$ 1,935,167

See accompanying notes to financial statements.

GRAY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2018

B-3

Total net change in fund balances - governmental funds (B-2) \$ 166,060

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

	Depreciation expense	\$ (2,702)	
	Capital outlays	<u>-</u>	(2,702)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (139,232)

Change in net position of governmental activities (A-2) \$ 24,126

See accompanying notes to financial statements.

Proprietary Funds

**GRAY CHARTER SCHOOL
Proprietary Funds**

B-4

Statement of Net Position

June 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 37,823
Accounts receivable:	
Federal	6,890
State	109
Interfund receivable - general fund	39,127
Total current assets	<u>\$ 83,949</u>

Liabilities

Current liabilities:

Interfund payable - general fund	-
Accounts payable	-
Total current liabilities	<u>\$ -</u>

Net position

Unrestricted	83,949
Total net position	<u><u>\$ 83,949</u></u>

See accompanying notes to financial statements.

**GRAY CHARTER SCHOOL
Proprietary Funds**

B-5

Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2018

Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 17,212
Daily sales - non-reimbursable programs	6,770
Total Operating revenues	<u>23,982</u>
Operating expenses:	
Cost of sales - reimbursable programs	127,037
Cost of sales - non-reimbursable programs	6,770
Salaries	-
Employee benefits	-
Professional /technical service	-
Supplies and materials	-
Depreciation	-
Miscellaneous	9,096
	<u>142,903</u>
Operating income (loss)	<u>(118,921)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	2,514
Federal sources:	
National school lunch program	133,351
Hungry Healthy-Kids school lunch program	2,770
National school breakfast program	14,260
Total nonoperating revenues	<u>152,895</u>
Net income/(loss) before contributions & transfers	33,974
Other financing sources:	
Operating transfer in/(out) - board contribution	-
	<u>-</u>
Change in net position	33,974
Total net position-beginning of year	<u>49,975</u>
Total net position-end of year	<u>\$ 83,949</u>

See accompanying notes to financial statements.

**GRAY CHARTER SCHOOL
Proprietary Fund**

B-6

Statement of Cash Flows

Year ended June 30, 2018

Cash flows from operating activities:

Operating loss	\$ (118,921)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	2,497
Due to/from general fund	(26,004)
Accounts payable	-
Net cash used in operating activities	<u>(142,428)</u>

Cash flows from noncapital financing activities:

Cash received from state reimbursements	2,514
Cash received from federal reimbursements	150,381
Operating subsidies and transfers from other funds	-
Net cash provided by noncapital financing activities	<u>152,895</u>

Cash flows from investing activities:

Net change in cash and cash equivalents	10,467
Cash and cash equivalents, beginning	27,356
Cash and cash equivalents, ending	<u>\$ 37,823</u>

See accompanying notes to financial statements.

Fiduciary Funds

**GRAY CHARTER SCHOOL
Fiduciary Funds**

B-7

Statement of Fiduciary Net Position

June 30, 2018

	Unemployment Compensation	Student Activity Fund	Agency Fund Payroll	TOTAL
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 172,229	\$ 172,229
Total assets	\$ -	\$ -	\$ 172,229	\$ 172,229
Liabilities				
Payroll deductions and withholdings		\$ -	\$ 36,623	\$ 36,623
Interfund payables		-	135,606	135,606
Due to students group		-	-	-
Total liabilities	-	\$ -	\$ 172,229	\$ 172,229
Net position				
Total net position	-			

See accompanying notes to financial statements.

GRAY CHARTER SCHOOL
Fiduciary Funds

B-8

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2018

	<u>Unemployment Compensation</u>
Revenues:	
General fund appropriation	\$ -
Total revenues	<u>-</u>
Expenditures:	
Payments to New Jersey Unemployment Compensation Fund	<u>-</u>
Total expenditures	<u>-</u>
Excess(deficiency) of revenue over(under) expenditures	-
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

Notes to Basic Financial Statements

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

1 Description of the Charter School and Reporting Entity

Gray Charter School (the “Charter School”) was incorporated in the State of New Jersey in June 2007 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Principal/Chief School Administrator is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

The Gray Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

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

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies

This summary of significant accounting policies of Gray Charter School is presented to assist in understanding the Charter School's financial statements and notes are a representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States as applied to governmental units and have been consistently applied in the preparation of these financial statements.

The financial statements of the Gray Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

A Basis of Presentation

The Charter School's basic financial statements consist of 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.

Charter School Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - continued

The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School. The New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

General Fund - The General Fund is the primary operating fund of the Charter School. It is used to account for all financial resources except those that are legally or administratively 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.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, 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 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.

Proprietary Funds

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

Enterprise Funds - The Enterprise Fund is 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 cost (i.e. expenses including depreciation and indirect costs) of providing goods and services to the students on a continuing basis be financed or recovered primarily through user charges; or where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

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 non-current, 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.

Fiduciary Funds

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C Measurement Focus and Basis of Accounting

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.

Measurement Focus

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. 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 spendable financial resources at the end of the period.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting objectives 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 non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

Basis of Accounting

In the government wide statement of net position and statements of activities, both governmental and business like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i. e the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. “Measurable” means the amount of the transaction can be determine and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental funds revenues.

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are 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. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds 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 recognized encumbrances as expenditures and also recognized the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E Cash, Cash Equivalent and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investment with a maturity of three months or less at the time of purchases and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchases are stated at cost. All other investments are stated at fair value.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. established 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 Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which 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 deposit 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.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund Receivable/Payable. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Position.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized. 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.

<u>Description of Capital Asset</u>	<u>Estimated Lives (Years)</u>
Equipment	5 to 10

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

I Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2018.

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

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

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Nonspendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

M Net Position

Net position represents the difference between assets and liabilities in the Government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

N Management 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.

O 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. The amounts are not required to be included in the Charter School's annual budget.

P GASB Pronouncements

GASBS Implemented in the 2018 Fiscal Year

The GASB issued Statement No. 75, *Accounting and Financial Reporting/or Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The District has adopted GASB Statement No. 75 during the year ended June 30, 2018, which resulted in the recording of full accrual revenues and expenses and additional financial statement disclosures.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The District has adopted GASB Statement No. 85 during the year ended June 30, 2018 and it did not have a significant impact on the financial statements.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

2 Summary of Significant Accounting Policies - *continued*

P GASB Pronouncements - *continued*

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities in January 2017*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not yet determined the impact of this statement on the financial statements. **The GASB issued Statement No. 87, *Leases in June 2017*.** This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not yet determined the impact of this statement on the financial statements.

3 Deposits and Investments

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least 5% of the average daily balance of collected funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk. As of June 30, 2018, the Charter School's carrying amount of deposits and investments are as follows:

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

3 Deposits and Investments - continued

	General Fund	Special Revenue	Enterprise Funds	Agency Funds	Total
Operating A/C	\$ 1,323,479	\$ 62,938	\$ 37,823	\$ 172,229	\$ 1,596,469
Restricted Escrow	145,385	-	-	-	145,385
Total	<u>\$ 1,468,864</u>	<u>\$ 62,938</u>	<u>\$ 37,823</u>	<u>\$ 172,229</u>	<u>\$ 1,741,854</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2018, the Charter School's carrying amount of deposits was \$1,741,854 and the bank balance was \$1,901,982. Of the bank balance, \$250,000 of the Charter School's cash deposits on June 30, 2018 were secured by federal deposit insurance and \$1,828,859 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

Category 1 - Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name. **Category 2** - Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name. **Category 3** - Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School's name.

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.

Investments

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

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

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

3 Deposits and Investments - continued

4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2018, the Charter School did not hold any investments.

4 Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2018:

	Beginning Balance	Net Additions (Deletions)	Ending Balance
Governmental activities			
Capital assets, being depreciated:			
Equipment	\$ 270,410	\$ -	\$ 270,410
Less accumulated depreciation for:			
Equipment	(265,006)	(2,702)	(267,708)
Total capital assets net	\$ 5,404	\$ (2,702)	\$ 2,702

Depreciation expense of \$2,702 was charged to an unallocated function.

5 Lease Obligation

Facility Lease

The Charter School leases its facilities under an operating lease agreement:

55 Lincoln Street, Newark, New Jersey – The original lease was executed for the three period October 1, 2002 through September 30, 2004. The lease has a rider which provides automatic three year renewal periods as long as the school’s Charter is renewed. The most current renewal period is October 1, 2014 through September 30, 2017.

Following the original three year period ended September 30, 2004, the Basic Rent payable thereafter is annually increased by an amount determined by multiplying the basic rent payable during the immediate prior lease year by the greater of the CPI (Consumer Price Index for All Urban Consumers) increase or 3%. The current CPI is the CPI for the first calendar month during the lease year for which the basic rent is being calculated. The Prior CPI is the CPI for the first calendar month of the immediately prior lease year.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

5 Lease Obligation - *continued*

Facility Lease - *continued*

The Basic rent during the original lease period was \$494,400. The amount paid under the lease agreement for the fiscal year ended June 30, 2018 was \$753,145. The rent increase was due to the additional classroom expansion provided by the landlord during the year. The landlord holds a \$40,000 rental security deposit for the Charter School.

Equipment Lease

The Charter School leases an item of office equipment under an operating lease agreement. For the year ended June 30, 2018, the Charter School incurred \$21,002 in equipment lease expenditures.

Future minimum lease payments required under both operating leases are as follows:

Year Ending June 30:	Space Lease	Equipment Lease	Total
2019	\$ 753,144	\$ 15,684	\$ 768,828
2020	753,144	15,684	768,828
2021	-	7,842	7,842
2022 and thereafter	-	-	-
	<u>\$ 1,506,288</u>	<u>\$ 39,210</u>	<u>\$ 1,545,498</u>

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

6 Pension Plans

Description of Plans

Substantially all of the employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS)

The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

6 Pension Plans - *continued*

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determined to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 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 member's accounts.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

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Notes to the Basic Financial Statements
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6 Pension Plans - *continued*

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2018 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the charter school is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and charter school).

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

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6 Pension Plans – *continued*

Annual Pension Costs (APC) – *continued*

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The Charter School's contribution to PERS for the year ended June 30, 2018 was \$102,342.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$114,715 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also the State paid \$400,214 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the Charter School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

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(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

7 Pension Plans – GASB 68 Disclosures

Teachers Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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 position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

For this purpose, 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.

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is 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 Charter School (employer) does 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 Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$8,885,347 as measured on June 30, 2017 and \$-0- as measured on June 30, 2016.

For the year ended June 30, 2018, the Charter School recognized pension expense of \$615,532 and revenue of \$615,532 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2018 is based upon changes in the collective net pension liability with a measurement period of June 30, 2016 through June 30, 2017. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2016 and June 30, 2017.

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Notes to the Basic Financial Statements
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7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers Pension and Annuity Fund (TPAF) - *continued*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - continued

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$ 14,160,879,257	\$ 17,414,701,002
Collective deferred inflows of resources	\$11,800,239,661	\$ 134,532,594
Collective net pension liability (non-employer State of New Jersey)	\$67,423,605,859	\$78,666,367,052
State's portion of the net pension liability that was associated with the Charter School	\$ 8,885,347	\$ -
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.013178%	0.000000%

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.5%
Salary increases: 2012-2021	Varies based on experience
Salary increases: 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.

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Notes to the Basic Financial Statements
Year Ended June 30, 2018

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers Pension and Annuity Fund (TPAF) - *continued*

Actuarial Assumptions - continued

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

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7 Pension Plans – GASB 68 Disclosures - continued

Teachers Pension and Annuity Fund (TPAF) - continued

Long-Term Expected Rate of Return - continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

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Notes to the Basic Financial Statements
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7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers Pension and Annuity Fund (TPAF) - *continued*

Discount Rate

The discount rate used to measure the State's total pension liability was 4.25% and 3.22% as of June 30, 2017 and 2016, respectively. 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% and 2.85% as of June 30, 2017 and 2016, respectively, 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 (State of New Jersey) will be made based on the average of the last five years. 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.

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

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <https://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-tpaf18.pdf>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <https://www.nj.gov/treasury/pensions/gasb-notices.shtml>

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Notes to the Basic Financial Statements
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7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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 position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, 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.

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

At June 30, 2018, the Charter School reported a liability of \$2,435,053 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 to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2016. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2017 and 2016. At June 30, 2017, the Charter School's proportion was 0.0104605690% which was an increase of 0.0015643206% from its proportion measured as of June 30, 2016 which was 0.0088962484%.

For the year ended June 30, 2018, the Charter School recognized pension expense of \$236,136. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,337	\$ -
Changes in assumptions	490,579	488,781
Net difference between projected and actual earnings on pension plan investments	16,581	-
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	1,048,049	979,109
Charter School's contributions subsequent to the measurement date	102,342	-
Total	\$ 1,714,888	\$ 1,467,890

\$102,342 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability measured as of June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense
2018	\$ 109,516
2019	165,262
2020	100,140
2021	(133,187)
2022	(97,076)
Thereafter	-
	\$ 144,656

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Notes to the Basic Financial Statements
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7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - continued

	June 30, 2017	June 30, 2016
Collective deferred outflows of resources	\$ 6,424,455,842	\$ 8,685,338,380
Collective deferred inflows of resources	\$ 1,028,023,941	\$ 870,133,595
Collective net pension liability (Non-State Local Group)	\$ 23,278,401,588	\$ 29,617,131,759
Charter School's portion of the net pension liability	\$ 2,435,053	\$ 2,634,814
Charter School's proportion (percentage)	0.01046057%	0.00889625%

Actuarial Assumptions

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

Inflation rate	2.25%
Salary increases: through 2026	1.65-4.15% based on age
Salary increases: 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).

GRAY CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2018

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

Long-Term Expected Rate of Return - continued

Long-Term Expected Rate of Return

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

The more the experience deviates, the larger the impact on future financial statements. 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS’s target asset allocation as of June 30, 2017 are summarized in the following table:

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7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) – *continued*

Long-Term Expected Rate of Return– continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based 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.

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Notes to the Basic Financial Statements
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7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

Discount Rate - continued

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School’s proportionate share of the net pension liability measured as of June 30, 2017 and 2016, respectively, calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School's proportionate share of the pension liability	\$ 3,020,849	\$ 2,435,053	\$ 1,947,013
	2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
Charter School's proportionate share of the pension liability	\$ 3,228,657	\$ 2,634,814	\$ 2,144,545

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>

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8 Post Retirement Benefits

Plan Description and Benefits Provided

The Charter School is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the Charter School.

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

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

The total non-employer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms.

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

TPAF participant retirees: 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.

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

GRAY CHARTER SCHOOL
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Notes to the Basic Financial Statements
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8 Post Retirement Benefits – continued

Total Nonemployer OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State’s level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the [NJ State’s CAFR \(https://www.nj.gov/treasury/omb/publications/archives.shtml\)](https://www.nj.gov/treasury/omb/publications/archives.shtml)

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

Actuarial Assumptions and Other Inputs

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

Inflation Rate **2.50%**

	TPAF/ABP	PERS	PFRS
Salary increases:			
through 2026	1.55% to 4.55%	2.15% to 4.15%	2.10% to 8.98%
	based on years of service	based on age	based on age
Salary increases:			
thereafter	2.00% to 5.45%	3.15% to 5.15%	3.10% to 9.98%
	based on years of service	based on age	based on age

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

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Notes to the Basic Financial Statements
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8 Post Retirement Benefits – *continued*

Actuarial Assumptions and Other Inputs - *continued*

Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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

Health Care Trend Assumptions

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

Discount Rate

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

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(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

8 Post Retirement Benefits – continued

Changes in the Total OPEB Liability Reported by the State of New Jersey

	Increase/(Decrease)
	Total OPEB Liability
Balance at June 30, 2016 measurement date	\$ 57,831,784,184
Changes recognized for the fiscal year:	
Service Cost	2,391,878,884
Interest on total OPEB liability	1,699,441,736
Effect of changes of assumptions	(7,086,599,129)
Contributions from the members	45,748,749
Gross benefits paid by the State	(1,242,412,566)
Net changes	(4,191,942,326)
Balance at June 30, 2017 measurement date	\$ 53,639,841,858

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

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

	June 30, 2017		
	At 1% Decrease (2.58%)	At 1% Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB liability attributable to the Charter School	\$ 5,087,176	\$ 4,285,482	\$ 3,649,570
	June 30, 2016		
	At 1% Decrease (1.85%)	At 1% Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB liability attributable to the Charter School	\$ 5,430,531	\$ 4,532,917	\$ 3,826,380

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

8 Post Retirement Benefits – continued

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

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

	June 30, 2017		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 3,524,395	\$ 4,285,482	\$ 5,296,197
	June 30, 2016		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 3,719,385	\$ 4,532,917	\$ 5,620,532

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

For the fiscal year ended June 30, 2018 the Charter School recognized OPEB expense of \$448,406 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

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

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

8 Post Retirement Benefits – continued

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

	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	-	-
Assumption changes	-	(6,343,769,032)
Sub total	-	(6,343,769,032)
 Contributions made in fiscal year 2018 after June 30, 2017 measurement date	1,190,373,242	N/A
Total	\$ 1,190,373,242	\$ (6,343,769,032)

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

Measurement Period - Fiscal Year Ending June 30:	Total
2018	\$ (742,830,097)
2019	(743,830,097)
2020	(743,830,097)
2021	(743,830,097)
2022	(743,830,097)
Thereafter	(2,629,618,547)
	\$ (6,347,769,032)

9 Deferred Compensation

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan which is administered by AFLAC permits participants to defer a portion of their salaries until future years.

10 Economic Dependency

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

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

11 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government.

As of June 30, 2018, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School's attorney did not respond to the auditor's inquiry, however, Management represented that there were no pending lawsuits against the Charter School.

12 Risk Management

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

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.

13 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

14 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2018 is as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 145,914	\$ -
Special Revenue Fund		49,435
Enterprise Fund	39,127	-
Trust and Agency Fund	-	135,606
	\$ 185,041	\$ 185,041

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

15 Receivables

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

State aid	\$ 11,159
Federal aid	46,387
Other	216,003
Total receivables	\$ 273,549

16 Fund Balance Appropriated – General Fund (Exhibit B- 1)

Of the \$1,935,167 General Fund balance at June 30, 2018, \$-0- is reserved, \$1,935,167 is unreserved and undesignated.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2018

17 Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1	\$ 1,935,167
Cost of capital assets net accumulated depreciation	2,702
Pension deferred outflows	1,612,546
Pension deferred inflows	(1,467,890)
Deferred pension liability as of June 30, 2018	(2,435,053)
Net position (per A-1) as of June 30, 2018	<u>\$ (352,528)</u>

Required Supplementary Information

Part II

Budgetary Comparison

**GRAY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 659,925	\$ -	\$ 659,925	\$ 659,925	\$ -
Miscellaneous	14,420	-	14,420	28,348	13,928
Total -local sources	<u>674,345</u>	<u>-</u>	<u>674,345</u>	<u>688,273</u>	<u>13,928</u>
State Sources:					
State aids	4,410,399	-	4,410,399	4,410,399	-
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	114,715	114,715
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	-	-	-	400,214	400,214
Total state sources	<u>4,410,399</u>	<u>-</u>	<u>4,410,399</u>	<u>4,925,328</u>	<u>514,929</u>
Total revenues	<u>5,084,744</u>	<u>-</u>	<u>5,084,744</u>	<u>5,613,601</u>	<u>528,857</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	1,065,210	-	1,065,210	1,055,713	9,497
Other salaries for instruction	476,007	-	476,007	476,007	-
Purchased profesional technical services	150,000	-	150,000	41,121	108,879
Other purchased services	140,000	-	140,000	117,398	22,602
General educational supplies	92,208	-	92,208	90,553	1,655
Textbooks	160,545	-	160,545	76,690	83,855
Miscellaneous expenses	34,131	-	34,131	29,501	4,630
	<u>2,118,101</u>	<u>-</u>	<u>2,118,101</u>	<u>1,886,983</u>	<u>231,118</u>

**GRAY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Administrative cost:					
Salaries	558,335	-	558,335	556,207	2,128
Total benefit costs	1,083,567	-	1,083,567	748,013	335,554
Professional /Technical service	168,880	-	168,880	121,624	47,256
Other purchased services	76,103	-	76,103	65,927	10,176
Communications and Telephones	73,437	-	73,437	73,437	-
Supplies and materials	20,000	-	20,000	15,960	4,040
Miscellaneous expenses	16,580	-	16,580	7,398	9,182
	<u>1,996,902</u>	<u>-</u>	<u>1,996,902</u>	<u>1,588,566</u>	<u>408,336</u>
Support services:					
Salaries	460,681	-	460,681	460,680	1
Purchased prof/tech service	103,198	-	103,198	88,760	14,438
Other purchased services	32,062	-	32,062	17,421	14,641
Rent on land and buildings	756,000	-	756,000	753,145	2,855
Insurance-fidelity, liability property	60,000	-	60,000	39,702	20,298
Supplies and materials	20,450	-	20,450	20,450	-
Energy & Utilities	71,550	-	71,550	61,545	10,005
Miscellaneous expenses	5,000	-	5,000	405	4,595
Transportation other than to/from school	30,000	-	30,000	14,955	15,045
Total support services	<u>1,538,941</u>	<u>-</u>	<u>1,538,941</u>	<u>1,457,063</u>	<u>81,878</u>

**GRAY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reimbursed TPAF-Social Security (non-budgeted)	-	-	-	114,715	(114,715)
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	-	-	-	400,214	(400,214)
Total expenditures	<u>5,653,944</u>	<u>-</u>	<u>5,653,944</u>	<u>5,447,541</u>	<u>206,403</u>
Excess (deficiency) of revenues over (under) expenditures	(569,200)	-	(569,200)	166,060	322,454
Other Financing Sources (Uses):					
Operating Transfer Out:					
Transfer to food service fund	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(569,200)	-	(569,200)	166,060	322,454
Fund balances, beginning of year	<u>1,769,107</u>	<u>-</u>	<u>1,769,107</u>	<u>1,769,107</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,199,907</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,199,907</u></u>	<u><u>\$ 1,935,167</u></u>	<u><u>\$ 322,454</u></u>

**GRAY CHARTER SCHOOL
Special Revenue Fund**

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Budget Comparison Schedule

Year ended June 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Federal sources	\$ 449,375	\$ -	\$ 449,375	\$ 309,861	\$ 139,514
Local sources	-	-	-	-	-
Total revenues -all sources	<u>449,375</u>	<u>-</u>	<u>449,375</u>	<u>309,861</u>	<u>139,514</u>
Expenditures					
Current expenditures:					
Instruction:					
Salaries of teachers	275,500	-	275,500	174,405	101,095
Purchased Prof. and technical services	-	-	-	-	-
Other purchased services	-	-	-	-	-
General supplies	9,351	-	9,351	918	8,433
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>284,851</u>	<u>-</u>	<u>284,851</u>	<u>175,323</u>	<u>109,528</u>
Support services					
Support services salaries	-	-	-	-	-
Employee benefits	83,852	-	83,852	50,512	33,340
Purchased professional services	68,904	-	68,904	72,258	(3,354)
Other purchased services	11,768	-	11,768	11,768	-
Supplies	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>164,524</u>	<u>-</u>	<u>164,524</u>	<u>134,538</u>	<u>29,986</u>
Capital outlay:					
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 449,375</u>	<u>\$ -</u>	<u>\$ 449,375</u>	<u>\$ 309,861</u>	<u>\$ 139,514</u>

Notes to Required Supplementary Information

GRAY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Notes to Required Supplementary Schedule
Year ended June 30, 2018

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

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue"			
from the budgetary comparison schedule:	[C-1]	\$ 5,613,601	
	[C-2]		\$ 309,861
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 reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 5,613,601	\$ 309,861
		Note 1	
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-2]		\$ 309,861
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 reporting purposes.			-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfer (outflows) to general fund			-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2]		\$ 309,861

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

GRAY CHARTER SCHOOL

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS
Last Five Fiscal Years

	Fiscal Year Ended June 30,				
	2017	2016	2015	2014	2013
Charter School's proportion of the net pension liability (assets)	0.0104605690%	0.0088962484%	0.0159646298%	0.0075611464%	0.0086557091%
Charter School's proportionate share of the net pension liability (assets)	2,435,053	2,634,814	3,583,739	1,415,653	1,654,278
Charter School's covered employee payroll	\$ 757,084	\$ 633,589	\$ 565,800	\$ 1,159,245	\$ 448,673
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	321.64%	415.86%	633.39%	122.12%	368.70%
Plan fiduciary net position as a percentage of the total pension liability - local	48.10%	40.14%	47.93%	52.08%	48.72%

Note

Until a full ten year trend is compiled, information will be presented for those years for which information is available.

GRAY CHARTER SCHOOL

Schedule of the Charter School's Contributions - PERS
Last Five Fiscal Years

	Fiscal Year Ended June 30,				
	2017	2016	2015	2014	2013
Contractually required contribution	\$ 102,342	\$ 137,253	\$ 137,253	\$ 62,333	\$ 65,219
Contribution in relation to the contractually required contribution	<u>(102,342)</u>	<u>(137,253)</u>	<u>(137,253)</u>	<u>(62,333)</u>	<u>(65,219)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 757,084	\$ 633,589	\$ 565,800	\$ 1,159,245	\$ 448,673
Contributions as a percentage of covered employee payroll	13.52%	21.66%	24.26%	5.38%	14.54%

Note

Until a full ten year trend is compiled, information will be presented for those years for which information is available.

GRAY CHARTER SCHOOL

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF
Last Five Fiscal Years

	Fiscal Year Ended June 30,				
	2017	2016	2015	2014	2013
Charter School's proportion of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 8,885,347	\$ 9,140,500	\$ 9,140,500	\$ 7,588,810	\$ 5,674,092
Total	<u>\$ 8,885,347</u>	<u>\$ 9,140,500</u>	<u>\$ 9,140,500</u>	<u>\$ 7,588,810</u>	<u>\$ 5,674,092</u>
Charter School's covered employee payroll	\$ 1,681,733	\$ 1,475,206	\$ 1,429,299	\$ 1,429,655	\$ 1,370,800
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll**	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%	33.76%

**Note

TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the Charter School (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the Charter School.

Note

Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the Charter School
and Changes in the Total OPEB Liability and Related Ratios
Public Employee's Retirement System and Teachers' Pension and Annuity Fund
Last Two Fiscal Years**

	<u>Fiscal Year Ending</u>	
	<u>2017</u>	<u>2016</u>
Total OPEB Liability		
Service cost	\$ 363,885	**
Interest cost	138,206	**
Changes of assumptions	(653,920)	**
Member contributions	3,655	**
Gross benefit payments	(99,261)	**
	<hr/>	<hr/>
Net change in total OPEB liability	(247,435)	**
Total OPEB liability - beginning	4,532,917	**
	<hr/>	<hr/>
Total OPEB liability, ending	\$ 4,285,482	\$ 4,532,917
	<hr/>	<hr/>
Covered employee payroll - PERS and TPAF	\$ 999,895	**
Total OPEB liability as a percentage of covered employee payroll	429%	0.00%
State's proportionate share of the net OPEB liability (asset) associated with the Charter School	0.01%	0.01%
Charter School's contributions	\$ -	\$ -

** Information not available.

Until a full ten year trend is compiled, information will be presented for those years for which information is available.

GRAY CHARTER SCHOOL
(County of Essex)
Notes to Required Supplementary Information
Year Ended June 30, 2018

1. Pension – Public Employees’ Retirement System (PERS)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017.

2. Pension – Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017.

3. Other Post-Retirement Benefit Plan – Public Employees’ Retirement System (PERS) and Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

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

Other Supplementary Information

School Level Schedules

Special Revenue Fund

**GRAY CHARTER SCHOOL
Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2018

	<u>Title IA</u>	<u>Title IIA</u>	<u>I.D.E.A.</u>	<u>Total</u>
Revenues				
Federal sources	\$ 197,671	\$ 33,600	\$ 78,590	\$ 309,861
Local sources				-
Total revenues -all sources	<u>\$ 197,671</u>	<u>\$ 33,600</u>	<u>\$ 78,590</u>	<u>\$ 309,861</u>
Expenditures				
Instruction:				
Salaries of teachers	\$ 145,928	\$ -	\$ 28,477	\$ 174,405
Purchased Prof. and technical services	-	-	-	-
Other purchased services	-	-	-	-
General supplies	-	-	918	918
Miscellaneous expenditures	-	-	-	-
Total instruction	<u>145,928</u>	<u>-</u>	<u>29,395</u>	<u>175,323</u>
Support services:				
Support services salaries	-	-	-	-
Employee benefits	39,975	-	10,537	50,512
Purchased professional services	-	33,600	38,658	72,258
Other purchased services	11,768	-	-	11,768
Supplies	-	-	-	-
Miscellaneous expenditures	-	-	-	-
Total support services	<u>51,743</u>	<u>33,600</u>	<u>49,195</u>	<u>134,538</u>
Capital Outlay:				
Facilities acquisition and construction services:				
Instructional equipment	-	-	-	-
Noninstructional equipment	-	-	-	-
Construction services	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 197,671</u>	<u>\$ 33,600</u>	<u>\$ 78,590</u>	<u>\$ 309,861</u>

Capital Projects Fund
At June 30, 2018, there was no capital project fund.

Enterprise Fund

GRAY CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Position

June 30, 2018

	<u>Food Services</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 37,823
Accounts receivable:	
Federal	6,890
State	109
Interfund receivable - general fund	39,127
Total current assets	<u>\$ 83,949</u>
Liabilities	
Current Liabilities:	
Interfund payable - general fund	-
Accounts payable	-
Total current liabilities	<u>\$ -</u>
Net position	
Unrestricted	83,949
Total net position	<u><u>\$ 83,949</u></u>

**GRAY CHARTER SCHOOL
Enterprise Fund**

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2018

	<u>Food Services</u>
Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 17,212
Daily sales - non-reimbursable programs	6,770
Total Operating revenues	<u>23,982</u>
Operating expenses:	
Cost of sales - reimbursable programs	127,037
Cost of sales - non-reimbursable programs	6,770
Salaries	-
Employee benefits	-
Professional /technical service	-
Supplies and materials	-
Depreciation	-
Miscellaneous	9,096
Total operating expenses	<u>142,903</u>
Operating income (loss)	<u>(118,921)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	2,514
Federal sources:	-
National school lunch program	133,351
Hungry Healthy-Kids school lunch program	2,770
National school breakfast program	14,260
Total nonoperating revenues	<u>152,895</u>
Net income/(loss) before contributions & transfers	33,974
Other financing sources:	
Operating transfer in/(out) - board contribution	<u>-</u>
	<u>-</u>
Change in net position	33,974
Total net position-beginning of year	<u>49,975</u>
Total net position-end of year	<u>\$ 83,949</u>

**GRAY CHARTER SCHOOL
Enterprise Fund**

G-3

Statement of Cash Flows

Year ended June 30, 2018

	<u>Food Services</u>
Cash flows from operating activities:	
Operating loss	\$ (118,921)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	2,497
Due to/from general fund	(26,004)
Accounts payable	-
Net cash used in operating activities	<u>(142,428)</u>
 Cash flows from noncapital financing activities:	
Cash received from state reimbursements	2,514
Cash received from federal reimbursements	150,381
Operating subsidies and transfers from other funds	-
Net cash provided by noncapital financing activities	<u>152,895</u>
 Cash flows from investing activities:	
	-
Net change in cash and cash equivalents	10,467
Cash and cash equivalents, beginning	27,356
Cash and cash equivalents, ending	<u><u>\$ 37,823</u></u>

Fiduciary Fund

**GRAY CHARTER SCHOOL
Fiduciary Funds**

H-1

Combining Statement of Fiduciary Net Position

June 30, 2018

	<u>Unemployment Compensation</u>	<u>Student Activity Fund</u>	<u>Agency Fund Payroll</u>	<u>TOTAL</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 172,229	\$ 172,229
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,229</u>	<u>\$ 172,229</u>
Liabilities				
Payroll deductions and withholdings	\$ -	\$ -	\$ 36,623	\$ 36,623
Interfund payables	-	-	135,606	135,606
Due to students group	-	-	-	-
Total liabilities	<u>-</u>	<u>\$ -</u>	<u>\$ 172,229</u>	<u>\$ 172,229</u>
Net Position				
Total net position	<u>-</u>	<u>\$ -</u>		

**GRAY CHARTER SCHOOL
Fiduciary Funds**

H-2

**Combining Statement of Changes in Fiduciary Net Position
Unemployment Compensation Insurance Trust Fund**

Year ended June 30, 2018

	<u>Unemployment Compensation</u>
Revenues:	
General fund appropriation	\$ -
Total revenues	<u>-</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	-
Total expenditures	<u>-</u>
Excess(deficiency) of revenue over(under) expenditures	-
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ -</u></u>

GRAY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements

H-3

Year ended June 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Assets				
Student activities fund	\$ -	\$ -	\$ -	\$ -
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GRAY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements

H-4

Year ended June 30, 2018

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
Assets				
Cash and cash equivalents	\$ 21,709	\$ 2,985,977	\$ 2,835,457	\$ 172,229
Total assets	<u>\$ 21,709</u>	<u>\$ 2,985,977</u>	<u>\$ 2,835,457</u>	<u>\$ 172,229</u>
Liabilities				
Payroll deductions and withholdings	\$ 38,446	\$ 2,797,011	\$ 2,798,834	\$ 36,623
Interfund payable	(16,737)	188,966	36,623	135,606
Total liabilities	<u>\$ 21,709</u>	<u>\$ 2,985,977</u>	<u>\$ 2,835,457</u>	<u>\$ 172,229</u>

Long Term Debt
At June 30, 2018, there was no long term debt.

GRAY CHARTER SCHOOL
Long-Term Debt
Schedule of Obligations Under Renovation Loan

Year ended June 30, 2018

NONE

<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2017</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2018</u>
		\$ -	\$ -	\$ -	\$ -

Statistical Section

GRAY CHARTER SCHOOL
County of Essex, New Jersey

J-1

NET ASSETS BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Fiscal Year Ended June 30,</u>		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
					<u>2014</u>	<u>2013</u>				
Governmental activities										
Invested in capital assets, net of related debt	\$ 2,702	\$ 5,404	\$ 8,106	\$ 10,808	\$ -	\$ 25,690	\$ 51,380	\$ 77,070	\$ 102,760	\$ 128,450
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(355,230)	(382,058)	(738,610)	(1,158,073)	(68,305)	(15,618)	490,009	334,359	503,783	556,394
Total governmental activities net position	<u>\$ (352,528)</u>	<u>\$ (376,654)</u>	<u>\$ (730,504)</u>	<u>\$ (1,147,265)</u>	<u>\$ (68,305)</u>	<u>\$ 10,072</u>	<u>\$ 541,389</u>	<u>\$ 411,429</u>	<u>\$ 606,543</u>	<u>\$ 684,844</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	83,949	49,975	27,547	668	(139,657)	(91,715)	-	-	(5,789)	42
Total business-type activities	<u>\$ 83,949</u>	<u>\$ 49,975</u>	<u>\$ 27,547</u>	<u>\$ 668</u>	<u>\$ (139,657)</u>	<u>\$ (91,715)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,789)</u>	<u>\$ 42</u>
School-wide										
Invested in capital assets, net of related debt	\$ 2,702	\$ 5,404	\$ 8,106	\$ 10,808	\$ -	\$ 25,690	\$ 51,380	\$ 77,070	\$ 102,760	\$ 128,450
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	(271,281)	(332,083)	(711,063)	(1,157,405)	(207,962)	(107,333)	490,009	334,359	497,994	556,436
Total charter school net position	<u>\$ (268,579)</u>	<u>\$ (326,679)</u>	<u>\$ (702,957)</u>	<u>\$ (1,146,597)</u>	<u>\$ (207,962)</u>	<u>\$ (81,643)</u>	<u>\$ 541,389</u>	<u>\$ 411,429</u>	<u>\$ 600,754</u>	<u>\$ 684,886</u>

Source: Charter School's Records

**GRAY CHARTER SCHOOL
County of Essex, New Jersey**

J-2

**CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Fiscal Year Ended June 30,</u>		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
					<u>2014</u>	<u>2013</u>				
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,062,306	\$ 2,037,717	\$ 1,854,553	\$ 1,935,163	\$ 2,866,842	\$ 2,806,921	\$ 2,406,210	\$ 2,379,074	\$ 2,477,130	\$ 2,211,792
Support Services:										
General administration	2,242,727	1,971,448	1,781,880	1,372,031	782,672	717,806	993,188	671,883	690,983	641,455
School administrative services	1,476,886	1,225,959	1,092,332	1,547,928	1,273,362	1,208,907	1,260,087	1,341,382	1,190,397	1,074,191
On-behalf TPAF/FICA reimbursements	114,715	121,845	114,889	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Unallocated depreciation	2,702	2,702	2,702	2,702	25,690	25,690	25,690	25,690	25,690	25,690
Total governmental activities expenses	<u>5,899,336</u>	<u>5,359,671</u>	<u>4,846,356</u>	<u>4,857,824</u>	<u>4,948,566</u>	<u>4,759,324</u>	<u>4,685,175</u>	<u>4,418,029</u>	<u>4,384,200</u>	<u>3,953,128</u>
Business-type activities:										
Food service	142,903	133,653	144,546	136,574	147,493	144,320	109,456	119,088	138,300	136,138
Child Care	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	<u>142,903</u>	<u>133,653</u>	<u>144,546</u>	<u>136,574</u>	<u>147,493</u>	<u>144,320</u>	<u>109,456</u>	<u>119,088</u>	<u>138,300</u>	<u>136,138</u>
Total charter school expenses	<u>\$ 6,042,239</u>	<u>\$ 5,493,324</u>	<u>\$ 4,990,902</u>	<u>\$ 4,994,398</u>	<u>\$ 5,096,059</u>	<u>\$ 4,903,644</u>	<u>\$ 4,794,631</u>	<u>\$ 4,537,117</u>	<u>\$ 4,522,500</u>	<u>\$ 4,089,266</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Operating grants and contributions	\$ 309,861	\$ 252,463	\$ 335,835	\$ 317,512	\$ 672,577	\$ 233,001	\$ -	\$ -	\$ 3,873	\$ 3,734
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>309,861</u>	<u>252,463</u>	<u>335,835</u>	<u>317,512</u>	<u>672,577</u>	<u>233,001</u>	<u>-</u>	<u>-</u>	<u>3,873</u>	<u>3,734</u>
Business-type activities:										
Charges for services:										
Food service	23,982	19,096	12,780	10,011	7,286	-	5,623	4,200	5,186	6,537
Child care	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	152,895	136,985	158,645	266,888	92,265	52,605	90,534	94,317	93,826	87,518
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>176,877</u>	<u>156,081</u>	<u>171,425</u>	<u>276,899</u>	<u>99,551</u>	<u>52,605</u>	<u>96,157</u>	<u>98,517</u>	<u>99,012</u>	<u>94,055</u>
Total charter school program revenues	<u>\$ 486,738</u>	<u>\$ 408,544</u>	<u>\$ 507,260</u>	<u>\$ 594,411</u>	<u>\$ 772,128</u>	<u>\$ 285,606</u>	<u>\$ 96,157</u>	<u>\$ 98,517</u>	<u>\$ 102,885</u>	<u>\$ 97,789</u>
Net (expense)/revenue										
Governmental activities	\$ (5,589,475)	\$ (5,107,208)	\$ (4,510,521)	\$ (4,540,312)	\$ (4,275,989)	\$ (4,526,323)	\$ (4,685,175)	\$ (4,418,029)	\$ (4,380,327)	\$ (3,949,394)
Business-type activities	33,974	22,428	26,879	140,325	(47,942)	(91,715)	(13,299)	(20,571)	(39,288)	(42,083)
Total charter school-wide net expense	<u>\$ (5,555,501)</u>	<u>\$ (5,084,780)</u>	<u>\$ (4,483,642)</u>	<u>\$ (4,399,987)</u>	<u>\$ (4,323,931)</u>	<u>\$ (4,618,038)</u>	<u>\$ (4,698,474)</u>	<u>\$ (4,438,600)</u>	<u>\$ (4,419,615)</u>	<u>\$ (3,991,477)</u>

**GRAY CHARTER SCHOOL
County of Essex, New Jersey**

J-2

**CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)**

	2018		2017		2016		2015		Fiscal Year Ended June 30,		2012		2011		2010		2009			
General revenues and other changes in net position																				
Governmental activities:																				
Property taxes levied for general purposes, net	\$	659,925	\$	600,425	\$	650,248	\$	605,759	\$	558,742	\$	519,162	\$	496,864	\$	455,191	\$	481,529	\$	484,069
Grants and contributions		4,925,328		4,773,890		4,246,777		4,167,226		3,464,925		3,452,065		4,127,737		3,780,979		3,776,730		3,528,226
Miscellaneous income		28,348		86,743		30,257		320,578		173,945		23,779		190,534		12,435		18,077		88,098
Transfers		-		-		-		-		-		-		-		-		-		-
Total governmental activities		<u>5,613,601</u>		<u>5,461,058</u>		<u>4,927,282</u>		<u>5,093,563</u>		<u>4,197,612</u>		<u>3,995,006</u>		<u>4,815,135</u>		<u>4,248,605</u>		<u>4,276,336</u>		<u>4,100,393</u>
Business-type activities:																				
Miscellaneous income		-		-		-		-		-		-		13,299		26,360		33,457		41,450
Total business-type activities		-		-		-		-		-		-		13,299		26,360		33,457		41,450
Total charter school-wide	\$	<u>5,613,601</u>	\$	<u>5,461,058</u>	\$	<u>4,927,282</u>	\$	<u>5,093,563</u>	\$	<u>4,197,612</u>	\$	<u>3,995,006</u>	\$	<u>4,828,434</u>	\$	<u>4,274,965</u>	\$	<u>4,309,793</u>	\$	<u>4,141,843</u>
Change in net position																				
Governmental activities	\$	24,126	\$	353,850	\$	416,761	\$	553,251	\$	(78,377)	\$	(531,317)	\$	129,960	\$	(169,424)	\$	(103,991)	\$	150,999
Business-type activities		33,974		22,428		26,879		140,325		(47,942)		(91,715)		-		5,789		(5,831)		(633)
Total charter school	\$	<u>58,100</u>	\$	<u>376,278</u>	\$	<u>443,640</u>	\$	<u>693,576</u>	\$	<u>(126,319)</u>	\$	<u>(623,032)</u>	\$	<u>129,960</u>	\$	<u>(163,635)</u>	\$	<u>(109,822)</u>	\$	<u>150,366</u>

GRAY CHARTER SCHOOL
County of Essex, New Jersey

Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Fund										
Unreserved	\$ 1,935,167	\$ 1,769,107	\$ 1,241,769	\$ 474,138	\$ (68,305)	\$ (15,618)	\$ 490,009	\$ 334,359	\$ 478,093	\$ 556,394
Total general fund	<u>\$ 1,935,167</u>	<u>\$ 1,769,107</u>	<u>\$ 1,241,769</u>	<u>\$ 474,138</u>	<u>\$ (68,305)</u>	<u>\$ (15,618)</u>	<u>\$ 490,009</u>	<u>\$ 334,359</u>	<u>\$ 478,093</u>	<u>\$ 556,394</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: Charter School's Records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

J-4

Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Local tax levy	\$ 688,273	\$ 687,168	\$ 680,505	\$ 625,439	\$ 732,687	\$ 542,941	\$ 687,398	\$ 467,626	\$ 499,606	\$ 572,167
State sources	4,925,328	4,773,890	4,246,777	4,468,124	3,873,063	3,715,544	3,703,273	3,315,448	3,454,139	3,207,378
Federal sources	309,861	252,463	335,835	317,512	264,439	233,001	424,464	465,531	326,464	324,582
Total revenue	<u>5,923,462</u>	<u>5,713,521</u>	<u>5,263,117</u>	<u>5,411,075</u>	<u>4,870,189</u>	<u>4,491,486</u>	<u>4,815,135</u>	<u>4,248,605</u>	<u>4,280,209</u>	<u>4,104,127</u>
Expenditures										
Instruction	2,062,306	2,037,717	1,854,553	1,935,163	2,109,868	2,269,552	2,406,210	2,379,074	2,477,130	2,211,792
Administration	1,588,566	1,406,504	1,318,823	1,522,031	1,343,780	1,600,588	993,188	671,883	690,983	641,455
Support Services	1,591,601	1,347,804	1,207,221	1,397,928	1,469,228	1,126,973	1,260,067	1,341,382	1,190,397	1,074,191
Capital Outlay	-	-	-	13,510	-	-	-	-	-	-
Total expenditures	<u>5,242,473</u>	<u>4,792,025</u>	<u>4,380,597</u>	<u>4,868,632</u>	<u>4,922,876</u>	<u>4,997,113</u>	<u>4,659,465</u>	<u>4,392,339</u>	<u>4,358,510</u>	<u>3,927,438</u>
Change in net position	<u>\$ 680,989</u>	<u>\$ 921,496</u>	<u>\$ 882,520</u>	<u>\$ 542,443</u>	<u>\$ (52,687)</u>	<u>\$ (505,627)</u>	<u>\$ 155,670</u>	<u>\$ (143,734)</u>	<u>\$ (78,301)</u>	<u>\$ 176,689</u>

Source: Charter School's Records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

General Fund Other Local Revenue by Source
Last Ten Fiscal Years
(Unaudited)

Function	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Fiscal Year Ended June 30,</u>		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
					<u>2014</u>	<u>2013</u>				
Other local revenues										
Miscellaneous	\$ 28,348	\$ 86,743	\$ 30,257	\$ 320,578	\$ 173,945	\$ 23,779	\$ 190,534	\$ 12,435	\$ 18,077	\$ 88,098
Total other local revenue	<u>\$ 28,348</u>	<u>\$ 86,743</u>	<u>\$ 30,257</u>	<u>\$ 320,578</u>	<u>\$ 173,945</u>	<u>\$ 23,779</u>	<u>\$ 190,534</u>	<u>\$ 12,435</u>	<u>\$ 18,077</u>	<u>\$ 88,098</u>

Source: Charter School's Records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

Ratio of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Type Activities	Total Charter School	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificate s of Participati on	Capital Leases	Bond Anticipatio n Notes (BANs)	Capital Leases			
2009	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	-
2010	-	-	-	-	-	-	0.00%	-
2011	-	-	-	-	-	-	0.00%	-
2012	-	-	-	-	-	-	0.00%	-
2013	-	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	-	0.00%	-
2016	-	-	-	-	-	-	0.00%	-
2017	-	-	-	-	-	-	0.00%	-
2018	-	-	-	-	-	-	0.00%	-

NO LONG TERM DEBT FOR THE CHARTER SCHOOL

Note: Details regarding the Charter School's outstanding debt can be found in the notes to the financial statements.

GRAY CHARTER SCHOOL
County of Essex, New Jersey

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Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2009	278,154	\$ 14,265,962,352	\$ 51,288	13.00%
2010	277,347	14,511,904,428	52,324	13.00%
2011	277,984	15,293,011,776	55,014	13.00%
2012	278,414	15,425,249,256	55,404	13.00%
2013	279,499	15,565,858,308	55,692	13.00%
2014	280,980	16,386,472,620	58,319	13.00%
2015	281,944	16,925,098,320	60,030	13.00%
2016	281,764	16,914,292,920	60,030	7.90%
2017	281,764	16,914,292,920	60,030	7.90%
2018	281,764	16,914,292,920	60,030	7.90%

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 Personal capital income by municipality estimated based upon the 2010 Cesus published by the US Bureau of Economic Analysis.

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

**GRAY CHARTER SCHOOL
County of Essex, New Jersey**

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**Principal Employers
Current Year
(Unaudited)**

<u>Employer</u>	2018		
	<u>Employees</u>	<u>Rank [Optional]</u>	<u>of Total Municipal Employment</u>
Newark Liberty International Airport	24,000	1	17.14%
Verizon Communications	17,100	2	12.21%
Prudential Financial, Inc.	16,850	3	12.04%
Continental Airline	11,000	4	7.86%
University of Medicines/Dentistry	11,000	5	7.86%
Public Service Enterprise Group	10,800	6	7.71%
Prudential Insurance	4,492	7	3.21%
City of Newark	3,984	8	2.85%
Horizon Blue Cross & Blue Shield	3,900	9	2.79%
	<hr/> <u>103,126</u>		<hr/> <u>73.67%</u>

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Newark-Economy.html>

GRAY CHARTER SCHOOL
County of Essex, New Jersey

Full-Time Equivalent Charter School Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

<u>Function/Program</u>	Fiscal Year Ended June 30,									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction	29	29	29	29	29	29	24	24	22	22
Administrative	3	3	3	3	3	2	2	2	2	2
Support Services	7	7	7	7	7	7	5	5	5	5
Food Service	1	1	1	1	1	1	1	1	1	1
Total	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>39</u>	<u>32</u>	<u>32</u>	<u>30</u>	<u>30</u>

Source: Charter School Personnel Records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

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Operating Statistics

**Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Enrollment	Operating Expenditures^a	Cost Per Pupil	Percentage Change	Teaching Staff^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	300	\$ 3,467,654	\$ 11,559	13.75%	20	15:3	300	300	3.33%	100.00%
2009	290	3,927,438	13,543	17.16%	21	15:3	290	290	-3.33%	100.00%
2010	280	4,358,510	15,566	14.94%	22	15:3	280	280	-3.45%	100.00%
2011	266	4,392,339	16,513	6.08%	24	11:0	266	266	-5.00%	100.00%
2012	277	4,659,485	16,821	1.87%	24	11:0	277	277	4.14%	100.00%
2013	274	4,997,113	18,238	8.42%	29	9:4	274	274	-1.08%	100.00%
2014	299	4,922,876	16,464	-9.72%	29	10:3	299	288	9.12%	96.32%
2015	321	4,868,632	15,167	-7.88%	29	10:3	312	312	4.35%	100.00%
2016	353	4,380,597	12,410	-18.18%	32	10:3	312	312	0.00%	100.00%
2017	337	4,792,025	14,220	14.59%	32	10:3	333	328	6.73%	98.50%
2018	337	5,242,473	15,556	9.40%	32	10:3	333	328	0.00%	98.50%

Sources: Charter School records

Note: Enrollment based on annual June Charter School count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**GRAY CHARTER SCHOOL
County of Essex, New Jersey**

**School Building Information
Last Ten Fiscal Years
(Unaudited)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>Fiscal Year Ended June 30,</u>			<u>2011</u>	<u>2010</u>	<u>2009</u>
					<u>2014</u>	<u>2013</u>	<u>2012</u>			
Square Feet	55,594	55,594	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500
Capacity (students)	500	500	399	399	399	399	399	399	394	394
Enrollment	337	337	353	321	299	274	277	266	280	290

Source: School Records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

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Schedule of Required Maintenance Expenditures
By School Facility
Last Ten Fiscal Years
(Unaudited)

2009	Not Available
2010	Not Available
2011	Not Available
2012	Not Available
2013	Not Available
2014	Not Available
2015	Not Available
2016	\$ 689,388
2017	839,000
2018	981,428
	<hr/>
	-
	<hr/>
Total	<u><u>\$ 2,509,816</u></u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

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Insurance Schedule

June 30, 2018
(Unaudited)

	Coverage
School Package Policy	
Comprehensive General Liability:	
General Liability - Aggregate	\$ 5,000,000
Products/Completed Operations - Aggregate	5,000,000
Personal Injury/Advertising Injury - Each Occurrence	5,000,000
Abuse and Molestation - Aggregate	2,000,000
Damage to Rented Premises	100,000
Medical Expense (any one person)	10,000
 Property:	
Building	4,000,000
Building Personal Property	750,000
Computer Equipment	460,000
Media and Data	40,000
 Automobile:	
Hired and non-owned	1,000,000
 Crime Coverage:	
Blanket Employee Theft	148,000
 Educators Legal Liability:	
Aggregate	2,000,000
Each Occurrence	1,000,000
 Commercial Umbrella	 5,000,000
 Directors and Officers Liability:	
Directors and Officers Liability:	1,000,000
employment Practice Liability	1,000,000
 Student Accident:	
Accidental Medical Expense Maximum	25,000
Accidental Death and Dismemberment	10,000
Accidental Dental Expense maximum	1,000
 Workers Compensation	 Statutory

Source: Charter School Records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

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Charter School Performance Framework Financial Indicators
New Term Indicators

June 30, 2018
(Unaudited)

	2018	2017	2016
Cash	\$ 1,424,240	\$ 1,729,968	\$ 1,295,849
Current assets	647,876	210,056	109,199
Capital assets, net	2,702	5,404	8,106
Total assets	2,074,818	1,945,428	1,413,154
Current liabilities	53,000	120,942	135,732
Long term liabilities	-	-	-
Total liabilities	53,000	120,942	135,732
Net position	\$ 2,021,818	\$ 1,824,486	\$ 1,277,422
Total revenue	\$ 6,100,339	\$ 5,869,602	\$ 5,434,542
Total expenses	(5,900,305)	(5,319,836)	(4,640,032)
Change in net position	\$ 200,034	\$ 549,766	\$ 794,510
Depreciation expense	\$ 2,702	\$ 2,702	\$ 2,702
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	333	333	312
March 30th budgeted enrollment	325	325	325

	2018	2017	2016	Three Year Cumulative
NEAR TERM INDICATORS:				
Current ratio	39.10	16.04	10.35	65.49
Unrestricted days cash	88.11	118.70	101.94	308.74
Enrollment variance	102%	102%	96%	1.00
Default	N/A	N/A	N/A	N/A

Source: Charter School Records

GRAY CHARTER SCHOOL
County of Essex, New Jersey

J-22

Charter School Performance Framework Financial Indicators
Sustainability Indicators

June 30, 2018
(Unaudited)

	2018	2017	2016
Cash	\$ 1,424,240	\$ 1,729,968	\$ 1,295,849
Current assets	647,876	210,056	109,199
Capital assets, net	2,702	5,404	8,106
Total assets	2,074,818	1,945,428	1,413,154
Current liabilities	53,000	120,942	240,636
Long term liabilities	-	-	-
Total liabilities	53,000	120,942	240,636
Net position	\$ 2,021,818	\$ 1,824,486	\$ 1,172,518
Total revenue	\$ 6,100,339	\$ 5,869,602	\$ 5,434,542
Total expenses	(5,900,305)	(5,319,836)	(4,640,032)
Change in net position	\$ 200,034	\$ 549,766	\$ 794,510
Depreciation expense	\$ 2,702	\$ 2,702	\$ 2,702
Interest expense	-	-	-
Principal payments	-	-	-
Interest payments	-	-	-
Final average daily enrollment	333	333	312
March 30th budgeted enrollment	325	325	325

	2018	2017	2016	Three Year Cumulative
SUSTAINABILITY INDICATORS:				
Total margin	3%	9%	15%	9%
Debt to asset	N/A	N/A	N/A	N/A
Cash flow	\$ (305,728)	\$ 434,119	\$ 92,173	\$ 220,564
Debt service coverage ratio	N/A	N/A	N/A	N/A

Source: Charter School Records

Single Audit Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

K-1

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Chairperson and
Members of the Board of Trustees
Gray Charter School
County of Essex
Newark, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Gray Charter School, in the County of Essex, State of New Jersey, ("the Charter School") as of and for the 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 7, 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 of 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 matters 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*.

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 Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Olugbenga Olabintan, CPA

February 7, 2019
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
Newark, NJ 07103

Tel: (201) 230-7518
Fax: (973) 368-8268
E-mail: oolabintan@aol.com

K-2

Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the State of New Jersey OMB's Circular Letter 15-08

The Honorable Chairperson and
Members of the Board of Trustees
Gray Charter School
County of Essex,
Newark, New Jersey

Compliance

We have audited the Gray Charter School's, in the County of Essex, State of New Jersey ("the Charter School") compliance with the types of compliance requirements described in the the *State of New Jersey Department of Treasury Circular 15-08-OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2018. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Those standards, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Charter School 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 fiscal year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Accordingly, this report is not suitable for any other purpose.

Olugbenga Olabintan, CPA

February 7, 2019
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant

A handwritten signature in black ink, appearing to read 'Olugbenga Olabintan', written over a horizontal line.

Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

GRAY CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Federal Award Identification Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2017	Deferred Revenue at June 30, 2017	Due to Grantor at June 30, 2017	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2018	Deferred Revenue at June 30, 2018	Due to Grantor at June 30, 2018
Special Revenue Fund:															
U.S. Department of Education, Pass Through Programs:															
Passed-Through New Jersey State Department of Education:															
Title I Part A - FY 2017-2018	84.010A	S010A160030	7/1/17-6/30/18	\$ 278,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,952	\$ (197,671)	\$ -	\$ (9,719)	\$ -	\$ -
Title II A - FY 2017-2018	84.367A	S367A160029	7/1/17-6/30/18	35,537	-	-	-	-	-	33,600	(33,600)	-	-	-	-
IDEA Part B - FY 2017-2018	84.027	H027A160100	7/1/17-6/30/18	134,940	-	-	-	-	-	48,812	(78,590)	-	(29,778)	-	-
Title I Part A - FY 2015-2017	84.010A	S010A150030	7/1/16-6/30/17	235,044	(1,210)	-	-	1,210	-	-	-	-	-	-	-
Title II A - FY 2015-2017	84.367A	S367A150029	7/1/16-6/30/17	26,076	-	-	-	-	-	-	-	-	-	-	-
IDEA Basic - FY 2015-2017	84.027	H027A150100	7/1/16-6/30/17	109,141	-	-	-	-	-	-	-	-	-	-	-
Total Special Revenue/U.S. Department of Education - Pass Through Programs					<u>(1,210)</u>	<u>-</u>	<u>-</u>	<u>1,210</u>	<u>-</u>	<u>270,364</u>	<u>(309,861)</u>	<u>-</u>	<u>(39,497)</u>	<u>-</u>	<u>-</u>
Enterprise Fund:															
U.S. Department of Agriculture, Pass Through Programs:															
Passed-Through New Jersey Dept of Agriculture:															
National School Lunch Program	10.555	171NJ304N1099	7/1/17-6/30/18	133,351	-	-	-	-	-	127,576	(133,351)	-	(5,775)	-	-
National School Lunch Program	10.555	16161NJ304N1099	7/1/16-6/30/17	119,049	(8,151)	-	-	-	-	8,151	-	-	-	-	-
Healthy Hunger-Free Kids Act	10.555	171NJ304N1099	7/1/17-6/30/18	2,770	-	-	-	-	-	2,650	(2,770)	-	(120)	-	-
Healthy Hunger-Free Kids Act	10.555	16161NJ304N1099	7/1/16-6/30/17	2,693	(181)	-	-	-	-	181	-	-	-	-	-
National School Breakfast Program	10.553	171NJ304N1099	7/1/17-6/30/18	14,260	-	-	-	-	-	13,265	(14,260)	-	(995)	-	-
National School Breakfast Program	10.553	16161NJ304N1099	7/1/16-6/30/17	12,885	(1,004)	-	-	-	-	1,004	-	-	-	-	-
Total Enterprise Fund/Total U.S. Department of Agriculture, Pass Through Programs					<u>(9,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,827</u>	<u>(150,381)</u>	<u>-</u>	<u>(6,890)</u>	<u>-</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ (10,546)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210</u>	<u>\$ -</u>	<u>\$ 423,191</u>	<u>\$ (460,242)</u>	<u>\$ -</u>	<u>\$ (46,387)</u>	<u>\$ -</u>	<u>\$ -</u>

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

GRAY CHARTER SCHOOL

Schedule of Expenditures of State Financial Assistance

Year ended June 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2017	Deferred Revenue at June 30, 2017	Due to Grantor at June 30, 2017	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2018	Deferred Revenue at June 30, 2018	Due to Grantor at June 30, 2018
New Jersey State Department of Education														
General Fund:														
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$4,371,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,371,117	\$ (4,207,741)	\$ -	\$ (163,376)	\$ -	\$ -
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	4,200,243	-	-	-	-	-	-	-	-	-	-	-
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	14,366	-	-	-	-	-	14,366	(14,366)	-	-	-	-
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	126,205	-	-	-	-	-	126,205	(126,205)	-	-	-	-
State Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	558,636	-	-	-	-	-	506,009	(558,636)	-	(52,627)	-	-
TPAF/FICA Reimbursements	18-495-034-5094-003	7/1/17-6/30/18	114,715	-	-	-	-	-	103,666	(114,715)	-	(11,049)	-	-
TPAF/FICA Reimbursements	17-495-034-5094-003	7/1/16-6/30/17	121,845	(9,573)	-	-	-	-	9,573	-	-	-	-	-
TPAF Post Retirement Medical Contribution	18-495-034-5094-001	7/1/17-6/30/18	156,780	-	-	-	-	-	156,780	(156,780)	-	-	-	-
TPAF Pension Contribution - Normal & NCGI	18-495-034-5094-002	7/1/17-6/30/18	242,739	-	-	-	-	-	242,739	(242,739)	-	-	-	-
TPAF Pension Contribution - Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	695	-	-	-	-	-	695	(695)	-	-	-	-
Total General Fund				(9,573)	-	-	-	-	5,531,150	(5,421,877)	-	(227,052)	-	-
New Jersey State Department of Agriculture														
Enterprise Fund:														
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	2,514	-	-	-	-	-	2,405	(2,514)	-	(109)	-	-
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	2,358	(160)	-	-	-	-	160	-	-	-	-	-
Total Enterprise Fund				(160)	-	-	-	-	2,565	(2,514)	-	(109)	-	-
Total Expenditures of State Financial Assistance				<u>\$ (9,733)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,533,715</u>	<u>(5,424,391)</u>	<u>\$ -</u>	<u>\$ (227,161)</u>	<u>\$ -</u>	<u>\$ -</u>
Less Amounts Not Subject to Single Audit:										156,780.00				
TPAF Post Retirement Medical Contribution										242,739.00				
TPAF Pension Contribution - Normal & NCGI										695.00				
TPAF Pension Contribution - Long-Term Disability Insurance														
Total Expenditures of State Financial Assistance Subject to Single Audit										<u>\$ (5,024,177)</u>				

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

GRAY CHARTER SCHOOL
(County of Essex)

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2018

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. 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 are included on the schedule of expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the 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) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made. The general fund is presented in the accompanying schedules on the modified accrual basis. 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 net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

GRAY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2018

3. Relationship to Basic Financial Statements - continued

Federal awards and state financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 5,421,877	\$ 5,421,877
Special Revenue Fund	309,861	-	309,861
Enterprise Fund	150,381	2,514	152,895
Total	<u>\$ 460,242</u>	<u>\$ 5,424,391</u>	<u>\$ 5,884,633</u>

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.

5. Other Information

TPAF Social Security contribution in the amount of \$114,715 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. The amount reported as TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium in the amount of \$400,214 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2018.

6. On Behalf Programs Not Subject to State Single Audit

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions 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 financial statements and the amount subject to State single audit and major program determination.

7. De Minimis Indirect Cost

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

GRAY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards:

In accordance with the new 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), the audit threshold was raised from \$500,000 to \$750,000. Thus, for fiscal years ending after December 26, 2015, organizations that expend less than \$750,000 in federal awards during a year are exempt from the single audit requirement for that year.

For the fiscal year ended June 30, 2018, the Charter School was determined to expend less than \$750,000 in federal awards and was therefore exempt from the federal single audit requirements for 2018.

**GRAY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Part I Summary of Auditors' Results

State Financial Assistance Section

State Financial Assistance Section

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

Auditee qualifies as low-risk auditee? Yes No

Type of auditor's report on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified that are not considered to be material weaknesses? Yes None reported

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

Identification of Major Programs:

<u>State Grant/Program Number(s)</u>	<u>Name of State Program or Cluster</u>
18-495-034-5120-078	Equalization Aid
18-495-034-5120-089	Special Education Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-085	State Adjustment Aid

**GRAY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Part II – Schedule of Financial Statement Findings

NONE

**GRAY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018**

Part III –Federal Awards Findings and Questioned Cost

NOT APPLICABLE FOR 2018

Part III – State Financial Assistance Findings and Questioned Cost

NONE

**GRAY CHARTER SCHOOL
(County of Essex)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2018**

There were no prior year's audit findings.

GRAY CHARTER SCHOOL

Schedule of Expenditures of Local Financial Assistance

Year ended June 30, 2018

<u>Local Grantor/Program Title</u>	<u>Grant or Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>(Accounts Receivable) at June 30, 2017</u>	<u>Deferred Revenue at June 30, 2017</u>	<u>Due to Grantor at June 30, 2017</u>	<u>Adjustments</u>	<u>Carryover (Walkover) Amount</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Repayment of Prior Years' Balances</u>	<u>(Accounts Receivable) at June 30, 2018</u>	<u>Deferred Revenue at June 30, 2018</u>	<u>Due to Grantor at June 30, 2018</u>
Turrell Fund	Not Available	7/1/18-6/30/19	\$ 53,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,000	\$ -	\$ -	\$ -	\$ 53,000	\$ -
Total Expenditures of Local Financial Assistance				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,000</u>	<u>\$ -</u>