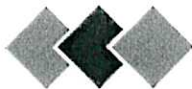


COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Hoboken Charter School
Hoboken, New Jersey**

For the Fiscal Year Ended June 30, 2018



McIntee Fusaro Del Corral, LLC
Certified Public Accountants & Forensic Consultants

**Hoboken Charter School
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Fiscal Year Ended June 30, 2018**

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INTRODUCTORY SECTION



A K – 12 SERVICE LEARNING SCHOOL

Tuesday, February 26, 2019

Honorable Chairperson and
Members of the Board of Trustees
713 Washington Street
Hoboken, NJ 07030

Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza, CN-500
Trenton, New Jersey 08625-0500

Dear Board Members and Commissioner:

The comprehensive annual financial report of the Hoboken Charter School Local Educational Agency (LEA) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Hoboken Charter School Board of Trustees. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The Charter School is required to undergo an annual single audit in conformity with the Uniform Guidance and the provisions of New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure 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 Hoboken Charter School LEA is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) in codification section 2100. All funds and account groups of the Charter School are included in this report.

The Charter School provides a full range of educational services appropriate to grade levels K through 12. That program includes regular education, special education, social, health, and nutrition services that support the total education of the students and their families. The Charter School completed the 2017-2018 fiscal year with an ADE enrollment of 293.2 which is a decrease from 2016-2017's total of 298.0 of (4.8) students. The ADE count has increased from 1988-1989 (121.1) to 2017-2018 (293.2). The following details the historical changes in the student enrollment of the LEA since inception:

HOBOKEN CHARTER SCHOOL

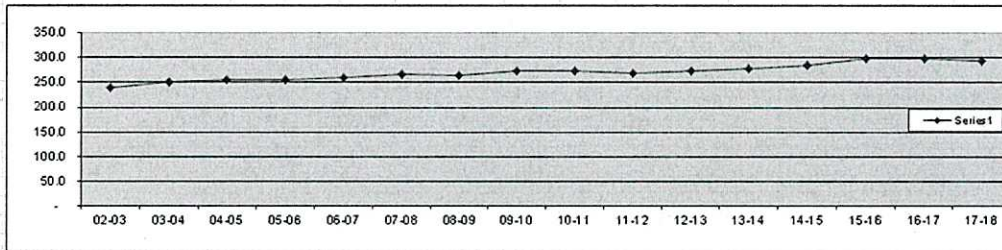
LOWER AND MIDDLE SCHOOL 713 WASHINGTON STREET | HOBOKEN, NJ 07030 | 201 963 0222 | 201 963 0880 FAX

UPPER SCHOOL 360 1ST STREET | 2ND FLOOR | HOBOKEN, NJ 07030 | 201 963 3280 | 201 963 0695 FAX

Hoboken Charter School

Annual ADE Enrollment Counts

| District | District | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|------------|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Bergen | Hackensack | | | | | | | | | | | 0.40 | | | | | | | | | |
| Bergen | Rutherford | | | | | | | | 1.00 | - | - | | | | | | | | | | |
| Bergen | Little Ferry | | | | | | | | | | | | 2.00 | 1.60 | | | | | | | |
| Bergen | Palisades Pk | - | - | - | - | 0.80 | 2.00 | 2.00 | - | - | | | | 0.40 | 2.00 | 1.00 | | | | | |
| Bergen | Paramus | | | | | | | | | | | | | | | 3.00 | 3.00 | 1.00 | 0.60 | | |
| Bergen | Cliffside Park | | | | | | | | | | | | | 0.90 | 1.00 | 1.00 | 1.10 | | | | |
| Bergen | Fairview | | | | | | | | | | | | | | 1.00 | 1.00 | | | | | |
| Burlington | Wilmington | | | | | | | | | 0.50 | | | | | | | | | | | |
| Essex | Orange | | | | | | | | | | 0.40 | 1.00 | | | | | | | | | |
| Essex | W Orange | | | | | | | | | 0.60 | | | | | | | | | | | |
| Essex | E Orange | | | | | | | | | 1.30 | | | | | | | | | 0.50 | | |
| Essex | Irvington | | | | | | | | 0.90 | 2.20 | | | | 0.30 | 0.60 | | | | | | |
| Essex | Newark | | | | | | | | 0.50 | 2.80 | 3.00 | 6.00 | 11.00 | 9.70 | 8.30 | 5.40 | 2.00 | 1.00 | | | |
| Hudson | Bayonne | | | | | 0.40 | 1.30 | | 0.30 | 0.10 | 2.00 | 2.00 | 5.00 | 3.00 | 2.00 | 3.00 | 1.00 | 2.70 | 5.00 | 5.20 | 5.00 |
| Hudson | Guttenberg | 1.50 | 2.00 | 2.00 | 3.00 | 4.40 | 3.00 | 3.00 | 3.00 | 4.00 | 2.00 | 3.00 | 3.00 | 1.00 | | | | | 3.00 | 1.00 | |
| Hudson | Hoboken | 100.00 | 147.50 | 163.90 | 199.00 | 188.40 | 191.10 | 184.50 | 174.60 | 165.30 | 160.30 | 154.10 | 156.50 | 152.50 | 157.90 | 167.90 | 171.40 | 186.00 | 198.30 | 203.50 | 205.60 |
| Hudson | Jersey City | 11.90 | 13.30 | 15.30 | 19.50 | 22.20 | 31.40 | 46.10 | 55.60 | 64.70 | 79.80 | 78.90 | 79.70 | 80.40 | 80.30 | 79.50 | 87.60 | 82.30 | 61.50 | 73.20 | 69.60 |
| Hudson | N Bergen | 0.70 | 1.40 | 2.40 | 3.00 | 6.10 | 8.00 | 8.00 | 10.00 | 8.30 | 7.50 | 10.80 | 7.00 | 10.90 | 9.50 | 7.00 | 7.00 | 5.00 | 2.00 | 3.00 | 2.00 |
| Hudson | Secaucus | | | | 2.00 | 0.20 | 1.00 | | | | | | | 0.50 | 0.30 | 1.00 | | | | | 0.30 |
| Hudson | Union City | 3.00 | 4.00 | 4.20 | 6.00 | 6.50 | 6.30 | 6.00 | 4.30 | 3.20 | 3.00 | 3.40 | 2.70 | 3.80 | 1.00 | 2.30 | 2.00 | 4.00 | 3.00 | 6.00 | 2.00 |
| Hudson | Weehawken | 4.00 | 4.00 | 3.00 | 4.00 | 5.00 | 4.00 | 2.00 | 2.90 | 2.80 | 3.70 | 3.00 | 2.00 | 2.00 | 3.00 | 2.00 | 2.00 | 1.50 | 2.00 | 2.00 | 1.00 |
| Hudson | WNY | - | - | 0.40 | 1.20 | 4.80 | 3.00 | 3.00 | 2.00 | 2.80 | 4.00 | 3.00 | 2.00 | 1.00 | | | | 1.00 | 2.00 | 2.80 | 4.00 |
| Middlesex | Carteret | | | | | | | | | | 0.60 | | | | | | | | | | |
| Middlesex | Woodbridge | | | | | | | | | 0.60 | | | | 1.00 | | | | | | | |
| Morris | Boonton | | | | | | | | | | | | | | | | | 0.20 | | | |
| Union | Rahway | | | | | | | | | 0.70 | | | | | | | | | | | 1.00 |
| Union | Elizabeth | | | | | | | | | 0.40 | | | | | | | | | | | |
| Passaic | Clinton | | | | | | | | | | | | 1.60 | 4.00 | 2.00 | | | | | | 2.00 |
| Passaic | Paterson | | | | | | | | | | | | | | | | | | | 1.00 | 1.00 |
| Charter | Totals | 121.1 | 172.2 | 191.2 | 236.7 | 238.8 | 251.1 | 254.6 | 255.1 | 260.7 | 266.3 | 265.6 | 273.3 | 273.3 | 269.0 | 274.1 | 277.1 | 285.2 | 297.4 | 298.0 | 293.2 |
| | In District % | 83% | 86% | 86% | 84% | 79% | 76% | 72% | 68% | 63% | 60% | 58% | 57% | 56% | 59% | 61% | 62% | 65% | 67% | 68% | 70% |



Changes in Enrollment from FY 1998-99 to 2017-18

| FY | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07 | 07-08 | 08-09 | 09-10 | 10-11 | 11-12 | 12-13 | 13-14 | 14-15 | 15-16 | 16-17 | 17-18 |
|----------|-------|--------|--------|--------|-------|-------|-------|-------|-------|-------|---------|-------|-------|----------|-------|-------|-------|-------|-------|----------|
| Totals | 121.1 | 172.2 | 191.2 | 236.7 | 238.8 | 251.1 | 254.6 | 255.1 | 260.7 | 266.3 | 265.6 | 273.3 | 273.3 | 269.0 | 274.1 | 277.1 | 285.2 | 297.4 | 298.0 | 293.2 |
| Change | | 51.1 | 19.0 | 45.5 | 2.1 | 12.3 | 3.5 | 0.5 | 5.6 | 5.6 | (0.7) | 7.7 | - | (4.3) | 5.1 | 3.0 | 8.1 | 12.2 | 0.6 | (4.8) |
| % Change | | 42.20% | 11.03% | 23.80% | 0.89% | 5.15% | 1.39% | 0.20% | 2.20% | 2.15% | (0.26%) | 2.90% | 0.00% | (-1.57%) | 1.90% | 1.09% | 2.92% | 4.26% | 0.20% | (-1.61%) |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 18 | 18 |

2) **ECONOMIC CONDITIONS AND OUTLOOK:** The Hoboken Charter School has three locations in Hoboken. The Charter School has completed its twentieth year of operation. During the 2017-2018 school year, the school served approximately 294 students in grades K-12. K-8 is located at 713 Washington St. The High School is at two new locations: 360 First Street and 124 Grand Street (Multi Center).

Hoboken Charter School is a public school located in an urban city in New Jersey. The Charter School has successfully brought together families from the diverse communities in Hoboken, evident by a significant percentage of the students qualifying for free or reduced lunches. We have the unique challenge of bringing together a diverse group of families who traditionally have had limited contact with one another. As a community, Hoboken is also experiencing many of the pressures that are the consequence of an urban city in the process of change.

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Growth

The Hoboken Charter School initially opened during the 1998-1999 school year and served students in grades preK-3 and 9-10. As stated above, the Charter School served students in grades K-12 during the 2017-2018 school year.

3) INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. 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 adequacy of internal controls, including the portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

4) BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved the Board of Trustees. Annual appropriated budgets are adopted for the General Fund and the Special Revenue Fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. There were no open encumbrances at the end of the year.

5) ACCOUNTING SYSTEM AND REPORTS: The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1. The CDK System, HCS' accounting system, enhances the tracking of expenses and reporting of the budget throughout the year.

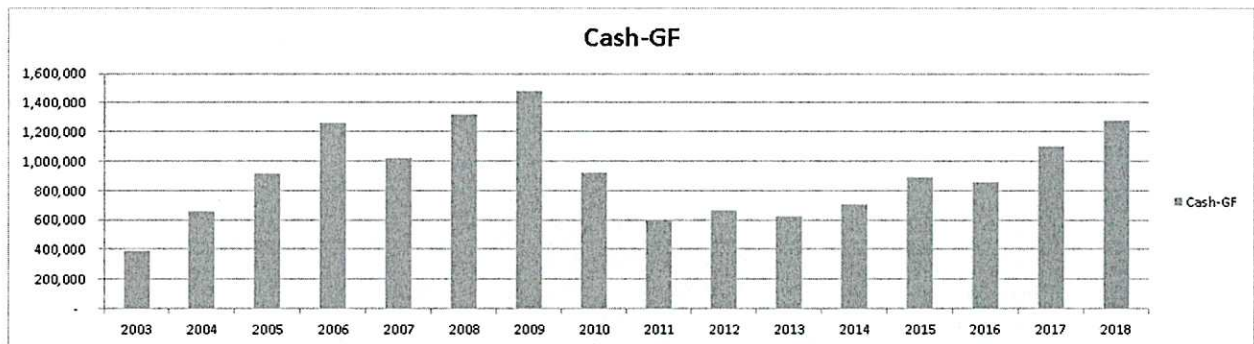
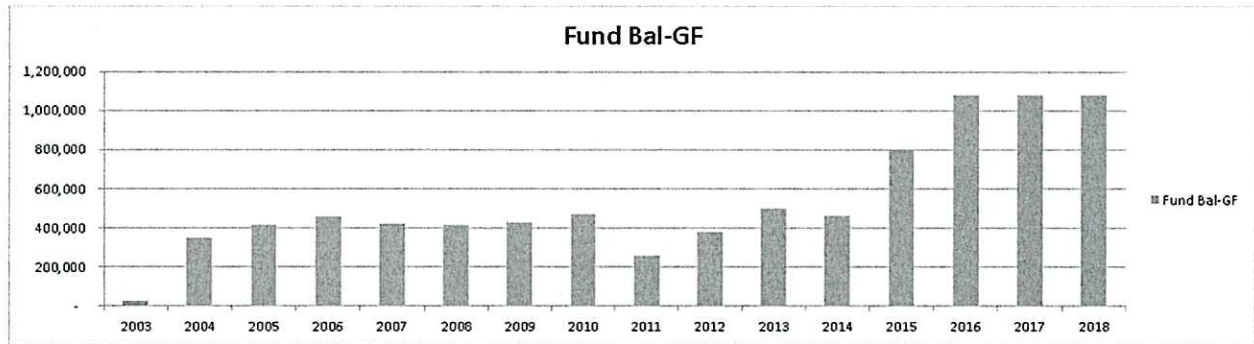
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6) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following table refers to HCS' General Fund only.

| | 6/30/02 | 6/30/03 | 6/30/04 | 6/30/05 | 6/30/06 | 6/30/07 | 6/30/08 | 6/30/09 | 6/30/10 | 6/30/11 | 6/30/12 | 6/30/13 | 6/30/14 | 6/30/15 | 6/30/16 | 6/30/17 | 6/30/18 |
|-------------|---------|---------|---------|---------|-----------|-----------|-----------|-----------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|
| Fund Bal-GF | 26,649 | 26,849 | 345,760 | 413,305 | 459,969 | 419,325 | 413,740 | 429,361 | 469,584 | 259,493 | 378,775 | 499,729 | 463,038 | 801,138 | 1,077,314 | 1,079,292 | 1,078,845 |
| Cash-GF | 256,435 | 392,106 | 658,548 | 918,902 | 1,258,569 | 1,017,747 | 1,315,321 | 1,478,423 | 924,188 | 600,972 | 668,421 | 623,487 | 703,883 | 692,458 | 856,365 | 1,104,491 | 1,280,159 |



As noted in the above charts, HCS has maintained the highest level of fiscal responsibility in the past. There has been consistent and stable Fund/Cash Balances. The Fund Balances have increased from \$400,000 to the range of \$1,000,000..

HOBOKEN CHARTER SCHOOL

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7) **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”, Note 2. The Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Government Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, directors and officers insurance, and workman's compensation. A Schedule of Insurance coverage is found on Exhibit J-20.

9) **INDEPENDENT AUDIT:** State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of McIntee Fusaro Del Corral, LLC was selected by the management team and approved by the Board of Trustees. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the Uniform Guidance and New Jersey OMB Circular 15-08. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10) **CHALLENGES:** As an entity in its twentieth year, the Hoboken Charter School has had to face numerous challenges ranging from issues related to the refinement of fiscal accountability systems, the evaluation, redesign and implementation of the overall educational programs, and facilities-related concerns. The School must continue to be fiscally prudent in the face of a changing environment. The change in facilities location has made unifying issues the most immediate challenge. HCS has met the past challenges head on and still ended up with ample fund and cash balances and will continue to do so in the future.

HOBOKEN CHARTER SCHOOL

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ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of Hoboken Charter School Board of Trustees for their concern in providing fiscal and managerial accountability to the citizens and taxpayers whose funding flows to the Hoboken Charter School LEA and thereby contributing their full support to the development and maintenance of our financial operation. Also, special thanks should go to Darren J. Fusaro, CPA, CFE (McIntee Fusaro Del Corral, LLC), Charles De Meola, CPA (De Meola Zawacki Mingione & Co, LLC), Isabel Del Corral, CPA (McIntee Fusaro Del Corral, LLC), and Deirdra Grode (Executive Director/Principal K-8) who have helped provide sound fiscal advice and service to the school.

Respectfully submitted,

Morton Marks
Business Administrator/Board Secretary

HOBOKEN CHARTER SCHOOL

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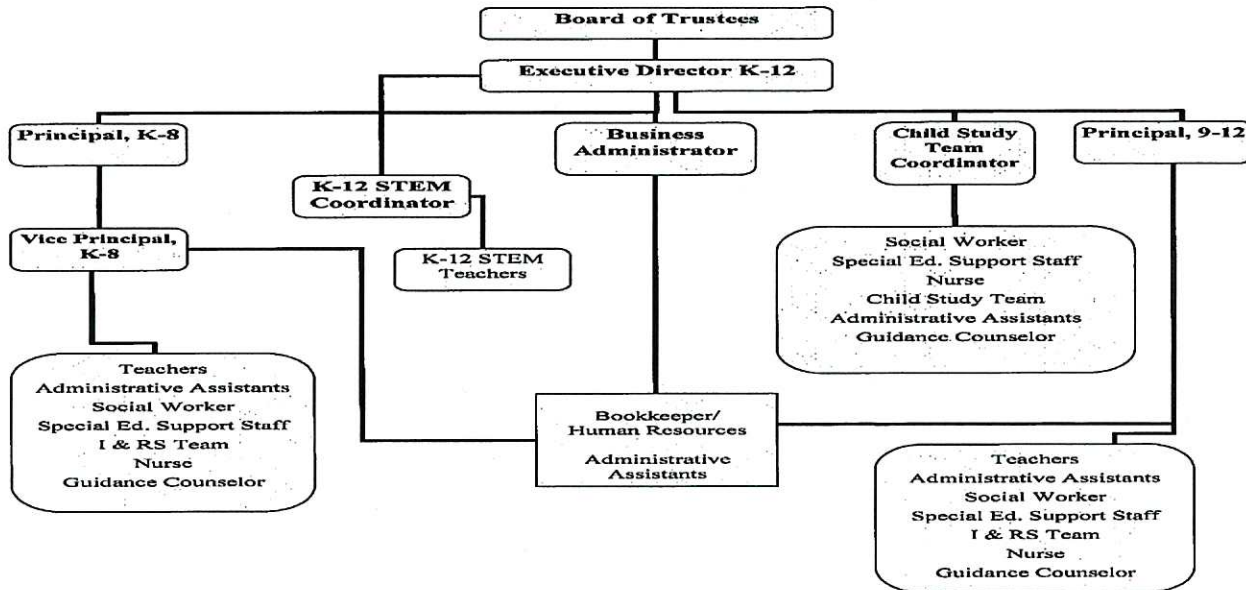
UPPER SCHOOL 360 1ST STREET | 2ND FLOOR | HOBOKEN, NJ 07030 | 201 963 3280 | 201 963 0695 FAX

Hoboken Charter School

A preK-12 community of learners, the Hoboken Charter School seeks to develop the academic, artistic, personal, and civic growth of all its members through its commitment to service learning and learner-centered education.

Hoboken Charter School Organizational Chart

2017-2018



Hoboken Charter School

A preK-12 community of learners, the Hoboken Charter School seeks to develop the academic, artistic, personal, and civic growth of all its members through its commitment to service learning and learner-centered education.

Hoboken Charter School Board of Trustees 2017 – 2018

| <i>NAME:</i> <i>BOARD MEMBER, ADMINISTRATOR</i> | <i>NAME of OFFICE; MEMBER; ADMINIS- TRATOR</i> | <i>BOARD STATUS: VOTING or NON-VOTING</i> |
|--|--|---|
| Lauren Calmas | Chairperson | Voting |
| Morton Marks | Board Secretary | Non-Voting |
| Jason Altberger | Member | Voting |
| John Berger | Member | Voting |
| Christine Sheedy | Member | Voting |
| Anthony Fellela | Member | Voting |
| Lisa McIntyre | Member | Voting |
| Jose Rivera | Member | Voting |
| Marc Silberberg | Member | Voting |
| Deidra Grode | Member | Non-Voting |

Hoboken Charter School

Consultants, Independent Auditors, and Advisors

Audit Firm

McIntee Fusaro Del Corral, LLC
277 Fairfield Road, Suite 300
Fairfield, New Jersey 07004

Attorney

Saiber, Schlesinger Satz & Goldstein
One Gateway Center – 13th Floor
Newark, New Jersey 07101

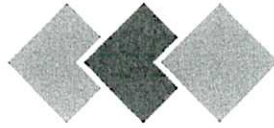
Financial Consultants

DeMeola Zawacki Mingione & Co., LLC
33 Sicomac Road
North Haledon, New Jersey 07508

Official Depository

Bank of America
615 Washington Street
Hoboken, New Jersey 07030

FINANCIAL SECTION



McIntee Fusaro Del Corral, LLC
Certified Public Accountants & Forensic Consultants

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Hoboken Charter School
County of Hudson
Hoboken, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Hoboken Charter School (the "Charter School") in the County of Hudson, State of New Jersey, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 opinion.

Opinions

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

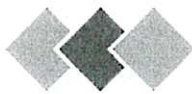
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal awards and state financial assistance as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, and State Aid*, and other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records 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 stated, in all material respects, in relation to the basic financial statements as a whole.

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

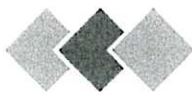
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hoboken Charter School's internal control over financial reporting and compliance.

February 26, 2019



Darren J. Fusaro, CPA
Licensed Public School Accountant
No. CS 00237100
McIntee Fusaro Del Corral, LLC
Fairfield, New Jersey



Required Supplementary Information – Part I

**Hoboken Charter School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
(Unaudited)**

Our discussion and analysis of Hoboken Charter School's financial performance provides an overview of the School's financial activities for the year ended June 30, 2018, which was the School's 20th year of operations. Please read it in conjunction with the Independent Auditors' Report and the Charter School's financial statements, including the notes to the financial statements.

Financial Highlights

During the fiscal year ended June 30, 2018, the Charter School adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The notes to the financial statements provide a more through discussion of the implementation of the GASB Statement.

The School's net position decreased by \$1,589 and totaled \$1,081,197 as of June 30, 2018.

Total revenues on a budgetary basis (gross) for the year (both general and program-related) increased by \$40,691 in fiscal year 2018 compared to fiscal year 2017, totaling \$5,362,570 for the year. General Revenues remained the same as the prior year. Program revenues for fiscal year 2018 increased from the previous year by \$31,553 primarily due to an increase in the enrichment program.

Total general expenses on a budgetary basis (gross) for the year increased by \$47,754 compared to fiscal year 2017. The primary reason was an increase in salaries and materials and supplies.

Using this Annual Financial Report

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

The first two statements are *entity-wide financial statements* that provide both short-term and long-term information about the Charter School's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the Charter School, reporting the Charter School's operations in more detail than the Charter School-Wide statements.

The *governmental fund statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the Charter School operates like a business, such as food services and enrichment programs.

Fiduciary funds statements provide information about the financial relationships in which the Charter School acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Entity-wide Statements

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

The two entity-wide statements report the Charter School's net position and changes in them. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as student enrollment stability and facility conditions in arriving at a conclusion regarding the overall health of the Charter School.

In the entity-wide financial statements, the Charter School's activities are divided into two categories:

Governmental activities: Most of the Charter School's basic services are included here as regular and special education and administration. Charter School and State Aid fund most of these activities.

Business-Type activities: The Charter School charges fees to help it cover the costs of certain services it provides.

Fund Financial Statements

Our analysis of the Charter School's major funds and fund financial statements provides detailed information about the most significant funds – not the Charter School as a whole. The Charter School's funds use different accounting approaches as further described in the notes to the financial statements. Some funds are required by state law and bond covenants and other funds are established to control and manage money for particular purposes such as the proper use of Federal grant revenue.

The Charter School has three types of funds:

Governmental Funds

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

Proprietary Funds

Services for which fees are charged are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the entity-wide statements. The Charter School's Enterprise Funds are the same as its Business-type activities but provide more detail and additional information, such as cash flows.

Fiduciary Funds

The Charter School is a fiduciary for assets that belong to others such as the Payroll Agency Fund, Unemployment Compensation Fund, and Teachers' Pension and Annuity Fund. The charter School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Charter School's fiduciary activities are reported in a separate statement of Fiduciary Net Position. These activities are excluded from the Charter School's other financial statements because the assets cannot be utilized by the Charter School to finance operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Table 1
Net Position

| | Governmental and Business-Type Activities | |
|------------------------------------|--|---------------------|
| | <u>June 30,</u> | |
| | <u>2018</u> | <u>2017</u> |
| Current and Other Assets: | | |
| Cash | \$ 1,310,779 | \$ 1,142,740 |
| Receivables | 33,470 | 118,708 |
| Prepaid Expenses | 45,093 | 47,828 |
| Due from Agency Fund | <u>135,217</u> | <u>151,167</u> |
| Total Assets | <u>1,524,559</u> | <u>1,460,443</u> |
| Liabilities: | | |
| Accounts Payable | 104,508 | 673 |
| Accrued Salaries and Payroll Taxes | 279,108 | 289,267 |
| Deferred Revenue | <u>59,746</u> | <u>87,717</u> |
| Total Liabilities | <u>443,362</u> | <u>377,657</u> |
| Total Unrestricted Net Position | <u>\$ 1,081,197</u> | <u>\$ 1,082,786</u> |

Table 2
Changes in Net Position

| | | |
|--|---------------------|---------------------|
| Revenues | | |
| General Revenues: | | |
| District Equalization Aid | \$ 3,169,556 | \$ 3,475,809 |
| Security Aid | 37,079 | 53,973 |
| Special Education Categorical Aid | 126,518 | 154,651 |
| State Adjustment Aid | 1,313,825 | 1,013,803 |
| State Non-Public Aid | 86,503 | 35,245 |
| FICA Reimbursement | 171,034 | 161,894 |
| Program Revenues: | | |
| Operating Grants, Contributions, and Programs | <u>469,378</u> | <u>426,502</u> |
| Total Revenues | <u>5,373,893</u> | <u>5,321,879</u> |
| Expenditures | | |
| Instructional Services | 2,142,087 | 2,198,296 |
| Supporting Services | 1,434,059 | 1,350,081 |
| Administration | 1,496,901 | 1,493,887 |
| Other | <u>302,435</u> | <u>274,143</u> |
| Total Expenditures | <u>5,375,482</u> | <u>5,316,405</u> |
| Changes in Net Position | (1,589) | 5,472 |
| Net Position, Beginning of Year | <u>1,082,786</u> | <u>1,077,314</u> |
| Net Position, End of Year | <u>\$ 1,081,197</u> | <u>\$ 1,082,786</u> |

General Fund Budget Information

The School's budget is prepared on the modified accrual basis of accounting and has been enhanced by the usage of encumbrances. The tracking of expenses is focused at the Purchase Order level instead of the Invoice level. This method alerts management in a more timely fashion as to when expenditures occur and how they affect the budget.

The most significant budgeted fund is the General Fund. The School may amend its revenue and expenditure estimates periodically due to changing conditions. There were no significant variations between the original and final budgets. Net budget transfers totaled \$ -0-.

Factors Expected to Have an Effect on Future Operations

At the time these financial statements were prepared and audited, the Charter School was aware of existing circumstances that could significantly affect its financial health in the future.

The Charter School has a lease for classroom space for the high school that will expire on June 30, 2019.

The Charter School continues to work with its non-profit foundation, Friends of Hoboken Charter School ("Friends") which holds several fundraisers in support of the Charter School. In addition, Friends has purchased a building next door to the current location of the Charter School's elementary building. The new building will be renovated and the high school will eventually move to this new building.

Contacting the School's Financial Management

This financial report is designed to provide our fellow citizens, customers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School office at 201-963-0222.

Basic Financial Statements

Charter School-Wide Financial Statements

**Hoboken Charter School
Statement of Net Position
June 30, 2018**

Exhibit A-1

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Cash | \$ 1,280,159 | \$ 30,620 | \$ 1,310,779 |
| Accounts Receivable | 19,482 | 2,507 | 21,989 |
| Prepaid Expenses | 34,000 | 11,093 | 45,093 |
| Interfund Receivable | 146,025 | - | 146,025 |
| Total Assets | 1,479,666 | 44,220 | 1,523,886 |
| Deferred Outflow of Resources | 556,972 | - | 556,972 |
| | 2,036,638 | 44,220 | 2,080,858 |
| LIABILITIES | | | |
| Accounts Payable and Accrued Expenses | 171,218 | - | 171,218 |
| Accrued Salaries and Payroll Taxes | 279,108 | - | 279,108 |
| Net Pension Liability | 1,454,358 | - | 1,454,358 |
| Deferred Revenue | 17,878 | 41,868 | 59,746 |
| Total Liabilities | 1,922,562 | 41,868 | 1,964,430 |
| Deferred Inflow of Resources | 483,445 | - | 483,445 |
| | 2,406,007 | 41,868 | 2,447,875 |
| NET POSITION/(DEFICIT) | \$ (369,369) | \$ 2,352 | \$ (367,017) |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Hoboken Charter School
Statement of Activities
For the Year Ended June 30, 2018

| Functions/Programs | Expenditures | Program Revenues | | | Changes in Net Position | | | Total |
|--|---------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|-----------------------|-------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | | |
| Governmental Activities: | | | | | | | | |
| Instruction: | | | | | | | | |
| Salaries | \$ 2,000,830 | \$ - | \$ 64,039 | \$ - | \$ (1,936,791) | \$ - | \$ (1,936,791) | |
| Supplies and Materials | 83,992 | - | 9,300 | - | (74,692) | - | (74,692) | |
| Textbooks | 4,452 | - | - | - | (4,452) | - | (4,452) | |
| Business and Other Support Services | - | - | - | - | - | - | - | |
| Purchased Professional and Technical Services | 52,813 | - | 10,000 | - | (42,813) | - | (42,813) | |
| Support services: | | | | | | | | |
| Salaries | 340,006 | - | 37,871 | - | (302,135) | - | (302,135) | |
| Supplies and Materials | 65,523 | - | - | - | (65,523) | - | (65,523) | |
| Rent | 483,703 | - | - | - | (483,703) | - | (483,703) | |
| Purchased Professional and Technical Services | 343,100 | - | 8,989 | - | (334,111) | - | (334,111) | |
| Payroll Taxes and Employee Benefits | 26,284 | - | 26,284 | - | - | - | - | |
| Travel | 27,931 | - | 11,442 | - | (16,489) | - | (16,489) | |
| Business and Other Support Services | 66,223 | - | - | - | (66,223) | - | (66,223) | |
| Property and Liability Insurance | 81,289 | - | - | - | (81,289) | - | (81,289) | |
| Administration: | | | | | | | | |
| Salaries | 604,184 | - | - | - | (604,184) | - | (604,184) | |
| Supplies and Materials | - | - | - | - | - | - | - | |
| Payroll Taxes and Employee Benefits | 1,231,410 | - | - | - | (1,231,410) | - | (1,231,410) | |
| Purchased Professional and Technical Services | 146,409 | - | - | - | (146,409) | - | (146,409) | |
| Travel | - | - | - | - | - | - | - | |
| Communication and Telephone | 81,874 | - | - | - | (81,874) | - | (81,874) | |
| Instructional Equipment | - | - | - | - | - | - | - | |
| Non-Instructional Equipment | - | - | - | - | - | - | - | |
| Total Governmental Activities | <u>5,640,023</u> | | <u>167,925</u> | | <u>(5,472,098)</u> | | <u>(5,472,098)</u> | |
| Business - Type Activities: | | | | | | | | |
| Food Service | 44,507 | 31,486 | 11,879 | - | - | (1,142) | (1,142) | |
| Enrichment Program | 257,928 | 257,928 | - | - | - | - | - | |
| Total Business - Type Activities | <u>302,435</u> | <u>289,414</u> | <u>11,879</u> | | | <u>(1,142)</u> | <u>(1,142)</u> | |
| Total Primary Government Activities | \$ <u>5,942,458</u> | \$ <u>289,414</u> | \$ <u>179,804</u> | \$ - | \$ <u>(5,472,098)</u> | \$ <u>(1,142)</u> | \$ <u>(5,473,240)</u> | |
| General Revenues: | | | | | | | | |
| District Equalization Aid | | | | | 3,169,556 | - | 3,169,556 | |
| Security Aid | | | | | 37,079 | - | 37,079 | |
| Special Education Categorical Aid | | | | | 126,518 | - | 126,518 | |
| State Adjustment Aid | | | | | 1,313,825 | - | 1,313,825 | |
| State Non-Public Aid | | | | | 86,503 | - | 86,503 | |
| FICA Reimbursement | | | | | 171,034 | - | 171,034 | |
| Long Term Disability Insurance Premium (on behalf) | | | | | 1,677 | - | 1,677 | |
| TPAF Non-Contributory Insurance (on behalf) | | | | | 7,828 | - | 7,828 | |
| TPAF Pension Contributions (on behalf) | | | | | 322,554 | - | 322,554 | |
| TPAF Post Retirement Medical Benefits (on behalf) | | | | | 213,387 | - | 213,387 | |
| Interest Income | | | | | 160 | - | 160 | |
| Total General Revenues | | | | | <u>5,450,121</u> | | <u>5,450,121</u> | |
| Change in Net Position | | | | | (21,977) | (1,142) | (23,119) | |
| Net Position/(Deficit) - Beginning of Year | | | | | (347,392) | 3,494 | (343,898) | |
| Net Position/(Deficit) - End of Year | | | | | \$ (369,369) | \$ 2,352 | \$ (367,017) | |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Fund Financial Statements

**Hoboken Charter School
Balance Sheet
Governmental Funds
June 30, 2018**

Exhibit B-1

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|--------------------------------------|-----------------|----------------------------|--------------------------------|
| ASSETS | | | |
| Cash | \$ 1,280,159 | \$ - | \$ 1,280,159 |
| Accounts Receivable | 19,482 | 11,481 | 30,963 |
| Prepaid Expenses | 34,000 | - | 34,000 |
| Interfund Receivable | 146,025 | - | 146,025 |
| Total Assets | \$ 1,479,666 | \$ 11,481 | \$ 1,491,147 |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | 103,835 | 11,481 | 115,316 |
| Accrued Salaries and Payroll Taxes | 279,108 | - | 279,108 |
| Deferred Revenue | 17,878 | - | 17,878 |
| Total Liabilities | 400,821 | 11,481 | 412,302 |
| Fund Balances: | | | |
| General Fund: | | | |
| Unassigned | 1,078,845 | - | 1,078,845 |
| Total Fund balances | 1,078,845 | - | 1,078,845 |
| Total Liabilities and Fund Balances | \$ 1,479,666 | \$ 11,481 | \$ 1,491,147 |

Fund balances - total governmental funds 1,078,845

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

The net pension liability for PERS is not due and payable in the current period and is not reported in the governmental funds (1,454,358)

Certain amounts related to the net pension liability are deferred and amortized in the statement of activities and are not reported in the governmental funds:

| | |
|--|-----------|
| Difference between expected and actual experience (outflows) | 34,245 |
| Changes of assumptions (outflows) | 293,003 |
| Difference between projected and actual investment earnings on pension plan investments (outflows) | 9,903 |
| Changes in proportion (outflows) | 152,438 |
| Changes of assumptions (inflows) | (291,929) |
| Changes in proportion (inflows) | (191,516) |
| Pension payment subsequent to the measurement date | 67,383 |
| Accounts payable for pension expense | (67,383) |

Net position of governmental activities (A-1) \$ (369,369)

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

Exhibit B-2

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|--|-----------------|----------------------------|--------------------------------|
| REVENUES | | | |
| State sources: | | | |
| District Equalization Aid | \$ 3,169,556 | \$ - | \$ 3,169,556 |
| Security Aid | 37,079 | - | 37,079 |
| Special Education Categorical Aid | 126,518 | - | 126,518 |
| State Adjustment Aid | 1,313,825 | - | 1,313,825 |
| State Non-Public Aid | 86,503 | - | 86,503 |
| FICA Reimbursement | 171,034 | - | 171,034 |
| TPAF Long Term Disability (on behalf) | 1,677 | - | 1,677 |
| TPAF Non-Contributory Insurance (on behalf) | 7,828 | - | 7,828 |
| TPAF Pension Contributions (on behalf) | 322,554 | - | 322,554 |
| TPAF Post Retirement Medical Contributions (on behalf) | 213,387 | - | 213,387 |
| Total - State Sources | 5,449,961 | - | 5,449,961 |
| Federal sources | - | 165,025 | 165,025 |
| Local sources | 160 | 2,900 | 3,060 |
| Total revenues | 5,450,121 | 167,925 | 5,618,046 |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction: | | | |
| Salaries | 1,936,791 | 64,039 | 2,000,830 |
| Materials and Supplies | 74,692 | 9,300 | 83,992 |
| Textbooks | 4,452 | - | 4,452 |
| Business and Other Support Services | - | - | - |
| Purchased Professional and Technical Services | 42,813 | 10,000 | 52,813 |
| | 2,058,748 | 83,339 | 2,142,087 |
| Support: | | | |
| Salaries | 302,135 | 37,871 | 340,006 |
| Materials and Supplies | 65,523 | - | 65,523 |
| Rent | 483,703 | - | 483,703 |
| Purchased Professional and Technical Services | 334,111 | 8,989 | 343,100 |
| Payroll Taxes and Employee Benefits | - | 26,284 | 26,284 |
| Travel | 16,489 | 11,442 | 27,931 |
| Business and Other Support Services | 66,223 | - | 66,223 |
| Property and Liability Insurance | 81,289 | - | 81,289 |
| | 1,349,473 | 84,586 | 1,434,059 |
| Administration: | | | |
| Salaries | 604,184 | - | 604,184 |
| Payroll Taxes and Employee Benefits | 1,209,880 | - | 1,209,880 |
| Purchased Professional and Technical Services | 146,409 | - | 146,409 |
| Communication and Telephone | 81,874 | - | 81,874 |
| Materials and Supplies | - | - | - |
| | 2,042,347 | - | 2,042,347 |
| Facilities Acquisition and Construction Services | | | |
| Instructional Equipment | - | - | - |
| Non-Instructional Equipment | - | - | - |
| | - | - | - |
| Total Expenditures | 5,450,568 | 167,925 | 5,618,493 |
| Excess of Revenues Over (Under) Expenditures | (447) | - | (447) |
| Fund Balance, Beginning of Year | 1,079,292 | - | 1,079,292 |
| Fund Balance, End of Year | \$ 1,078,845 | \$ - | \$ 1,078,845 |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2018**

Exhibit B-3

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (447)

Amounts reported for governmental activities in the Statement
 in the Statement of Activities are different because:

Governmental funds report school pension contributions as expenditures. However, in the
 Statement of Activities, the cost of pension benefits earned net of employee contributions is
 reported as pension expense

| | | |
|---|----------|----------|
| School pension contributions | 57,878 | |
| Adjustment for rounding | (1) | |
| Cost of benefits earned net of employee contributions (pension expense per Fiscal Year June 30, 2017 GASB 68 report) | (79,407) | |
| | (21,530) | (21,530) |

Change in Net Position of Governmental Activities (Exhibit A-2) **\$ (21,977)**

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Proprietary Funds

**Hoboken Charter School
Statement of Net Position
Proprietary Funds
June 30, 2018**

| | <u>Business-Type Activities Enterprise Funds Non-Major Funds</u> |
|---|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 30,620 |
| Accounts receivable | 2,507 |
| Prepaid Expenses | 11,093 |
| Inventories | - |
| Total current assets | <u>44,220</u> |
| Noncurrent assets: | |
| Restricted cash and cash equivalents | - |
| Furniture, machinery & equipment | - |
| Less accumulated depreciation | - |
| Total noncurrent assets | <u>-</u> |
| Total assets | <u><u>44,220</u></u> |
| LIABILITIES | |
| Current liabilities: | |
| Accrued salaries and payroll taxes | - |
| Deferred revenue | 41,868 |
| Total current liabilities | <u>41,868</u> |
| Noncurrent Liabilities: | |
| Compensated absences | - |
| Total noncurrent liabilities | <u>-</u> |
| Total liabilities | <u>41,868</u> |
| NET POSITION | |
| Invested in capital assets net of related debt | - |
| Restricted for: | |
| Capital projects | - |
| Unrestricted | 2,352 |
| Total net position | <u><u>\$ 2,352</u></u> |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Hoboken Charter School
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

| | Business-Type Activities |
|---|-------------------------------------|
| | Enterprise Funds |
| | Non-Major Funds |
| Operating revenues: | |
| Charges for services: | |
| Daily Sales - Reimbursable Programs | \$ 31,486 |
| After School Programs | 257,928 |
| Total Operating Revenues | 289,414 |
| Operating expenditures: | |
| Salaries | 112,269 |
| Payroll Taxes and Employee benefits | 6,319 |
| Other Purchased Professional Services | 29,484 |
| Cost of Sales - Reimbursable Programs | 44,507 |
| Miscellaneous | 109,856 |
| Total Operating Expenses | 302,435 |
| Operating Income (Loss) | (13,021) |
| State Sources | |
| State School Lunch Program | 464 |
| Federal Sources | |
| Hunger-Free, Healthy Kids Act | 543 |
| National School Lunch Program | 9,476 |
| National School Breakfast Program | 1,396 |
| Total Non-Operating Revenue | 11,879 |
| Change in net position before transfers | (1,142) |
| Transfers in (out) | - |
| Total net position—beginning of year | 3,494 |
| Total net position—end of year | \$ 2,352 |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

**Hoboken Charter School
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018**

| | Business-Type Activities |
|---|-------------------------------------|
| | Enterprise Funds |
| | Non-Major Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and other funds | \$ 293,494 |
| Payments to employees | (112,269) |
| Payments for employee benefits | (6,319) |
| Payments to suppliers | (181,112) |
| Net cash provided by (used for) operating activities | (6,206) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State sources | - |
| Federal sources | - |
| Operating subsidies and transfers to other funds | - |
| Net cash provided by (used for) non-capital financing activities | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Change in capital contributions | - |
| Purchases of capital assets | - |
| Gain/Loss on sale of fixed assets (proceeds) | - |
| Net cash provided by (used for) capital and related financing activities | - |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends | - |
| Proceeds from sale/maturities of investments | - |
| Net cash provided by (used for) investing activities | - |
| Net increase (decrease) in cash and cash equivalents | (6,206) |
| Cash and cash equivalents—beginning of year | 36,826 |
| Cash and cash equivalents—end of year | 30,620 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | (1,142) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | |
| (Increase) decrease in accounts receivable, net | (217) |
| (Increase) decrease in prepaid expenses | 2,735 |
| Increase (decrease) in deferred revenue | (7,582) |
| Total adjustments | (5,064) |
| Net cash provided by (used for) operating activities | \$ (6,206) |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Fiduciary Funds

**Hoboken Charter School
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018**

Exhibit B-7

| | Unemployment Compensation Trust | Agency Funds |
|---|--|-------------------------|
| ASSETS | | |
| Cash | \$ 1,048 | \$ 32,767 |
| Prepaid Expenses | - | 108,744 |
| Total Assets | 1,048 | 141,511 |
| LIABILITIES | | |
| Accounts Payable | 1,048 | 6,294 |
| Due to General Fund | - | 135,217 |
| Total Liabilities | 1,048 | 141,511 |
| NET ASSETS | | |
| Held in Trust for Unemployment Claims and Other Purposes | \$ - | \$ - |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

Exhibit B-8

| | Unemployment Compensation Trust | Agency Funds |
|--------------------------------|--|-------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Hoboken Charter School | \$ 24,816 | \$ 60,099 |
| Plan Members | 13,414 | 235,153 |
| Total Contributions | 38,230 | 295,252 |
| | | |
| Investment Earnings: | | |
| Interest | 2 | - |
| Total Additions | 38,232 | 295,252 |
| DEDUCTIONS | | |
| Quarterly Contribution Reports | 38,232 | 295,252 |
| Unemployment Claims | - | - |
| Total Deductions | 38,232 | 295,252 |
| | | |
| Change in Net Position | - | - |
| | | |
| Net Position—Beginning Year | - | - |
| Net Position—End of Year | \$ - | \$ - |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Notes to the Financial Statements

Hoboken Charter School
Notes to the Financial Statements
June 30, 2018

Note A: Summary of Significant Accounting Policies

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

1. Reporting Entity

The Charter School is an instrument of the State of New Jersey, established to function as an educational institution. The Board consists of volunteer officials and is responsible for the fiscal control of the Charter School. The Charter School is a not for profit entity organized under Internal Revenue Code Section 501(c)(3). The Charter School’s mission is to provide a rigorous, world-class education to a base of diverse students through a curriculum that ensures active participation in academics, arts and service-learning. The Charter School had an enrollment at June 30, 2018 of 298 students in grades Kindergarten through Grade Twelve.

Governmental Accounting Standards Board (“GASB”) Codification Section 2100, “Defining the Financial Reporting Entity” establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and Schools by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the School is not includable in any other reporting entity on the basis of such criteria.

2. Basis of Presentation

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

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

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

Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer’s share of payroll taxes and compensated absences. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

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

The Charter School reports the following governmental funds:

General Fund – The General Fund is the general operating fund of the Charter School and is used to account for and report all expendable financial resources except those required to be accounted for in another fund.

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

Capital Projects Fund – Not Applicable

Debt Service Fund – Not Applicable

The Charter School reports the following proprietary funds:

Enterprise Funds (Food Service and Enrichment Program) – The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs of providing services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds – The Fiduciary Funds are used to account for assets held by the Charter School on Behalf of others which includes Payroll Agency Fund and Unemployment Compensation trust Fund.

3. Basis of Accounting and Measurement Focus

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred.

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

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

4. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General and Special Revenue Funds. Budgets are prepared using the modified accrual basis of accounting. The 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)l. All budget amendments/transfers must be made by Trustee Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from budgetary basis of accounting as presented in the Budgetary Comparison Schedule – General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

5. Encumbrances

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

Open encumbrances in the Special Revenue Funds, for which the school has received in advance, are reflected in the balance sheet as deferred revenues at the year end. There were no encumbrances recorded as of June 30, 2018.

6. Cash and Cash Equivalents

Cash and cash equivalents include cash in banks. The Charter School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Depository Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

7. Interfund Transactions

Transfers between governmental and business-type activities on the Charter School-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

8. Accrued Salaries and Taxes

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

9. Compensated Absences

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

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick leave and carry forward up to 20 days to subsequent years. Upon termination, employees forfeit all accrued benefits. Therefore, no accrual for compensated absences has been recorded.

10. Deferred Revenue

Deferred revenue represents cash that has been received but not yet earned.

11. Accounting Estimates

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

12. Fund Balance Appropriated

General Fund: of the \$1,078,845 General Fund balance at June 30, 2018, all is unassigned.

13. Allowance for Uncollectible Accounts

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

14. Deficit Net Position

The Charter School has a deficit in unrestricted net position of \$369,369 in governmental activities, which is due to unassigned General Fund Balance of \$1,078,845, \$293,003 of changes in pension assumptions, \$152,438 of changes in proportion of pensions, difference between projected and actual investment earnings of pensions of \$9,903; difference between expected and actual experience of \$34,245 offset by changes in proportion in pensions of \$291,929 and net pension liability of \$1,454,358. This deficit does not indicate the Charter School is in financial difficulties and is a permitted practice under generally accepted accounting principles.

15. Net Position

Net Position is the difference between (a) assets and defined outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the Charter School that is applicable to a future reporting period. The Charter School had deferred outflows of resources at June 30, 2018 for the changes in assumptions in pensions, the changes in proportions for pensions, the difference between expected and actual pension experience and the Charter School contribution subsequent to the measurement date.

The Charter School had deferred inflows of resources at June 30, 2018 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

16. Pensions (PERS and TPAF)

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

17. Revenue – Operating Revenue and Expenses

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the Charter School, these revenues are sales for Food Service and fees for the Enrichment Program. Operating expenses are necessary costs incurred to provide the service that is the primary activity of each Enterprise Fund.

18. Tax Abatement

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. The Charter School has not entered into any agreements and does not expect this Statement to impact its financial statements.

Note B: Cash and Cash Equivalents

Cash and cash equivalents includes change funds and amounts in deposits.

1. Deposits

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

Note C: Operating Lease

Lease for School Facilities

The Charter School has a lease with Friends of Hoboken Charter School (a related party) for classroom and administrative office space for facilities located at 711-713 Washington Street in Hoboken. The lease is for sixty months commencing on July 1, 2017 and expiring on June 30, 2022. In August 2018, the lease was amended and rent increased to \$30,000 per month. Rent expense for the 2017/2018 school year was \$300,000.

The Charter School signed two leases for classroom and administrative office space located at the Hoboken Multiservice Center, Hoboken, NJ and space located at 360 First Street, Hoboken, NJ. Both leases commenced on June 1, 2017 and expire on June 30, 2019. The Charter School will renew these leases through 2022. Rent is payable in equal installments of \$12,000 and \$1,683.54, respectively. Rent installments for the classroom space will increase by 3% to \$12,360 for the fiscal year ended June 30, 2020. Rent expense, including common area charges, for the 2017/2018 school year was \$182,165.

The School leases other facilities for after school programs on a month to month basis. Rent expense for the 2017/2018 school year was \$1,538.

Future minimum rental payments are as follows:

| | |
|------|---------------------|
| 2019 | \$ 514,202 |
| 2020 | 528,528 |
| 2021 | 528,528 |
| 2022 | <u>528,528</u> |
| | <u>\$ 2,099,786</u> |

Note D: Pension Plans

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

Public Employees Retirement System (PERS)

1. Plan Description

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

2. Benefits Provided

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

The following represents the membership tiers for PERS:

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

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

3. Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarially determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$57,878 for fiscal year 2018.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1 to bring the total pension contribution rate to 7.5 % of base salary as of July 1, 2018.

4. 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 \$1,454,358 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Charter School's proportion was .0062%, which was an increase of .0006% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Charter School recognized pension expense of \$79,407. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 34,245 | \$ -0- |
| Changes of assumptions | 293,003 | -0- |
| Net difference between projected and actual earnings on pension plan investments | 9,903 | -0- |
| Changes in proportion | 152,438 | 483,445 |
| Charter School contribution subsequent to the measurement date | <u>67,383</u> | <u>-0-</u> |
| | <u>\$ 556,972</u> | <u>\$ 483,445</u> |

\$67,383 reported as deferred outflows of resources related to pensions resulting from 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 in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

Collective balances at June 30, 2017 and 2016 are as follows:

| | <u>2017</u> | <u>2016</u> |
|---|------------------|-------------------|
| Collective deferred outflows of resources | \$ 9,501,490,051 | \$ 13,319,369,669 |
| Collective deferred inflows of resources | 8,303,360,412 | -0- |
| Collective net pension liability | 23,278,401,588 | 29,617,131,759 |
| Charter School's Portion | .00625% | .00566% |

5. 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 |
| 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 rates 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 one year for males and females) for service retirement 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 future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 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.

6. 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 consultations 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:

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

7. 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. 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.

8. Sensitivity of the 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 as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the Charter School’s collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point higher than the current rate:

| | 1% Decrease <u>(4.00%)</u> | Current Discount Rate <u>(5.00%)</u> | 1% Increase <u>(6.00%)</u> |
|---|-------------------------------|--|-------------------------------|
| State’s Proportionate Share of the Net Pension Liability | \$ 1,804,230 | \$ 1,454,358 | \$ 1,162,871 |

9. Pension Plan Fiduciary Net Position

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

Teachers’ Pension and Annuity Fund (TPAF)

1. Plan Description

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

2. Benefits Provided

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

The following represents the membership tiers for TPAF:

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

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

3. Contributions

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

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

At June 30, 2018 the State's proportionate share of the net pension liability associated with the Charter School was \$13,407,463. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The Charter School's net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the Charter School's proportion was .0198%, which was an increase of .0036% from its proportion measured as of June 30, 2016.

Charter School's Proportionate Share of the Net Pension Liability \$ -0-

State's Proportionate Share of the Net Pension Liability
 Associated with the Charter School \$ 13,407,463

For the year ended June 30, 2018, the Charter School recognized pension expense of \$928,801 and revenue of \$928,801 for support provided by the State.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

| | Amortization Period in Years | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|--|
| Difference between expected And actual experience – 2014 | 8.5 | \$ -0- | \$ 13,181,413 |
| Difference between expected And actual experience – 2015 | 8.3 | 233,218,057 | -0- |
| Difference between expected And actual experience – 2016 | 8.3 | -0- | 102,199,790 |
| Difference between expected And actual experience – 2017 | 8.3 | 207,898,332 | -0- |
| Change of assumptions – 2014 | 8.5 | 1,383,974,317 | -0- |
| Change of assumptions – 2015 | 8.3 | 3,776,126,119 | -0- |
| Change of assumptions – 2016 | 8.3 | 8,218,154,928 | -0- |
| Change in assumptions – 2017 | | -0- | 11,800,239,661 |
| Difference between projected and Actual earnings on pension plan investments – 2014 | 5 | (435,309,142) | -0- |
| Difference between projected and Actual earnings on pension plan investments – 2015 | 5 | 385,284,122 | -0- |
| Difference between projected and Actual earnings on pension plan investments – 2016 | 5 | 1,295,565,574 | -0- |
| Difference between projected and Actual earnings on pension plan Investments – 2017 | | <u>(904,033,050)</u> | <u>-0-</u> |
| | | <u>\$ 14,160,879,257</u> | <u>\$ 11,800,239,661</u> |

\$ -0- reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 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: | |
|----------------------|-------------------------|
| 2018 | \$ 740,341,056 |
| 2019 | 1,175,650,200 |
| 2020 | 983,008,137 |
| 2021 | 551,152,948 |
| 2022 | 624,850,883 |
| Thereafter | <u>(1,714,363,628)</u> |
| | <u>\$ 2,360,639,596</u> |

5. Actuarial Assumptions

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

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

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

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

6. 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:

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

7. Discount Rate

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

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

The following presents the State’s Proportionate share of the net pension liability associated with the Charter School as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State’s net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease <u>(3.25%)</u> | Current Discount Rate <u>(4.25%)</u> | 1% Increase <u>(5.25%)</u> |
|---|-------------------------------|--|-------------------------------|
| State’s Proportionate Share of the Net Pension Liability | \$ 15,986,745 | \$ 13,456,501 | \$ 11,372,075 |

9. Pension Plan Fiduciary Net Position

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

Tax Deferred Annuity Plan

The School implemented a defined contribution tax deferred annuity plan which covers all employees of the School. This plan is funded solely through employee contributions deducted from their pay or from distributions from other qualified plans. The School has no obligation to contribute to this plan.

Defined Contribution Retirement Program (DCRP)

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

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees’ annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution. For DCRP, the Charter School recognized pension expense of \$-0- for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$-0- for the fiscal year ended June 30, 2018.

Note E: Post-Retirements Benefits

General Information about the OPEB Plan

Plan Description and Benefits Provided

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State health 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 the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-1732f, 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 retirees on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit level of coverage.

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

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. (GASB Cod. Sec 2300.106(g).

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

Employees covered by benefit terms. At June 30, 2017, 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.

Total 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 LEA's proportionate share percentage determined under Paragraphs 193 and 203 through 205 of GASB No 75 is zero percent. Accordingly, the LEA 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>)

Actuarial Assumptions and Other Imputes

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. The actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

| | |
|------------------------------|---|
| Inflation Rate | 2.50% |
| Salary Increases | 1.55% - 9.98% through 2026 |
| Discount Rate | 3.58% |
| Healthcare Cost Trend Rates: | |
| Medicare (PPO) | 5.9% decreasing to 5% after 9 years |
| Self-Insured (PPO) | 4.5% |
| HMO | 5.9% decreasing to 5% after 9 years |
| Prescription Drug Benefits | 10.5% decreasing to 5% after 8 years |
| Medicare Part B | 5.0% |
| Medicare Advantage | 4.5% |
| Retirees' Share of Benefit | |
| Related Costs | Projected health insurance premiums for retirees based on the retiree's annual retirement benefit and level of coverage |

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the 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.

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

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

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

| | Total OPEB Liability |
|--------------------------------------|-----------------------------|
| Balance at June 30, 2016 | <u>\$ 3,729,936</u> |
| Changes for the year: | |
| Service Cost | 499,225 |
| Interest on the Total OPEB Liability | 119,381 |
| Changes of Assumptions | (622,484) |
| Gross Benefit Payments | (84,420) |
| Contributions from Members | <u>3,109</u> |
| Net Changes | <u>(85,189)</u> |
| Balance at June 30, 2017 | <u>\$ 3,644,747</u> |

Sensitivity of Total NonEmployer OPEB Liability to Changes in Discount Rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017 and 2016, respectively, of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate as disclosed above that is 1-percentage-point lower of 1-percentage-point higher than the current discount rate.

| | 1% Decrease <u>2.58%</u> | Discount Rate <u>3.58%</u> | 1% Increase <u>4.58%</u> |
|--|---|---|---|
| 2017 | | | |
| Total OPEB Liability (School Retirees) | \$ 4,326,578 | \$ 3,644,747 | \$ 3,103,912 |
| | | | |
| | | | |
| 2016 | | | |
| Total OPEB Liability (School Retirees) | \$ 4,468,543 | \$ 3,729,936 | \$ 3,135,659 |

Sensitivity of Total NonEmployer OPEB Liability to Changes in Healthcare Cost Trend Rates:

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

| | <u>1% Decrease</u> | <u>Healthcare Cost Trend Rates</u> | <u>1% Increase</u> |
|---|--------------------|--|--------------------|
| 2017 | | | |
| Total OPEB Liability (School Retirees) | \$ 2,997,452 | \$ 3,644,747 | \$ 4,504,347 |
| 2016 | | | |
| Total OPEB Liability (School Retirees) | \$ 3,060,516 | \$ 3,729,936 | \$ 4,624,886 |

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

For the year ended June 30, 2017, the Charter School recognized OPEB expense of \$582,698 as determined by the State of New Jersey Division of Pensions. This expense and related offsetting revenue are for benefits provided through a defined benefit OPEB plan that meets the criteria in paragraph 4 of GASB 75, in which there is a special funding situation.

In accordance with GASB No. 75, the Charter School's proportionate share of school retirees OPEB liability is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

| | <u>Deferred Outflows Of Resources</u> | <u>Deferred Inflows Of Resources</u> |
|--|---|--|
| Changes of Assumptions | \$ -0- | \$ (6,343,769,032) |
| Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date | <u>1,190,373,242</u> | N/A |
| Total | <u>\$ 1,190,373,242</u> | <u>\$ (6,343,769,032)</u> |

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

Year Ended June 30:

| | |
|------------|-------------------------|
| 2018 | \$ 742,830,097 |
| 2019 | 742,830,097 |
| 2020 | 742,830,097 |
| 2021 | 742,830,097 |
| 2022 | 742,830,097 |
| Thereafter | <u>2,629,618,547</u> |
| | <u>\$ 6,343,769,032</u> |

Note F: Social Security Tax Reimbursement

In accordance with N.J.S.A. 18A:66-66 of the State of New Jersey reimbursed the School \$171,034 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. This amount has been included in the general purpose financial statements, and the combining and individual fund and account group statements and schedules as a revenue and expenditure.

Note G: Risk Management

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

New Jersey Unemployment Compensation Insurance

The School has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the School was required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School is billed quarterly for amounts due to the State.

The following table is a summary of the School’s contribution, employee contributions, reimbursements to the State for benefits paid and the ending balance of the School's expendable trust fund for the current and previous two years:

| <u>Fiscal Year</u> | <u>Charter School Contributions</u> | <u>Employee Contributions</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|---|-----------------------------------|------------------------------|---------------------------|
| 2015-2016 | 25,434 | 12,925 | -0- | 1,000 |
| 2016-2017 | 25,881 | 14,044 | -0- | 25,436 |
| 2017-2018 | 24,816 | 13,414 | -0- | 1,048 |

Note H. Related Party

The Friends of Hoboken Charter School, Inc. (“The Friends”) is a tax exempt organization that was organized to support the Hoboken Charter School in endeavors that are not funded by the local school districts and federal and state grants.

Note I. Economic Dependency

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

Note J. Commitments and Contingencies

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

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

Note K. Explanation of Certain Differences Between Governmental Fund Statements and Charter School-Wide Statements

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

Note L. Evaluation of Subsequent Events

The School evaluated events subsequent to the balance sheet date for potential disclosure through February 26, 2019 the date which the financial statements were available to be issued.

Required Supplementary Information – Part II



Budgetary Comparison Schedules

**Hoboken Charter School
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2018**

Exhibit C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual Favorable (Unfavorable) |
|---|--------------------|---------------------|------------------|---------------------|--|
| REVENUES: | | | | | |
| State and Local Local Sources: | | | | | |
| District Equalization Aid | \$ 3,169,556 | \$ - | \$ 3,169,556 | \$ 3,169,556 | \$ - |
| Security Aid | 37,079 | - | 37,079 | 37,079 | - |
| Special Education Categorical Aid | 126,518 | - | 126,518 | 126,518 | - |
| State Adjustment Aid | 1,313,825 | - | 1,313,825 | 1,313,825 | - |
| State Non-Public Aid | 86,503 | - | 86,503 | 86,503 | - |
| Interest Income | - | - | - | 160 | 160 |
| Reimbursed TPAF Social Security Contributions (Non Budgeted) | - | - | - | 171,034 | 171,034 |
| TPAF Non Contributory Insurance (on behalf - Non Budgeted) | - | - | - | 7,828 | 7,828 |
| TPAF Pension Contributions (on behalf - Non Budgeted) | - | - | - | 322,554 | 322,554 |
| TPAF Post Retirement Medical Contributions (on behalf - Non Budgeted) | - | - | - | 213,387 | 213,387 |
| TPAF Long Term Disability (on-behalf Non Budgeted) | - | - | - | 1,677 | 1,677 |
| Total | <u>4,733,481</u> | <u>-</u> | <u>4,733,481</u> | <u>5,450,121</u> | <u>716,640</u> |
| EXPENDITURES: | | | | | |
| Current Expense: | | | | | |
| Instruction: | | | | | |
| Salaries | 1,957,782 | (20,200) | 1,937,582 | 1,936,791 | 791 |
| Materials and Supplies | 100,500 | (22,600) | 77,900 | 74,692 | 3,208 |
| Textbooks | 13,000 | (8,000) | 5,000 | 4,452 | 548 |
| Business and Other Support Services | 2,000 | (2,000) | - | - | - |
| Purchased Professional and Technical Services | 66,500 | (22,100) | 44,400 | 42,813 | 1,587 |
| Total Instruction | <u>2,139,782</u> | <u>(74,900)</u> | <u>2,064,882</u> | <u>2,058,748</u> | <u>6,134</u> |
| Support: | | | | | |
| Salaries | 345,295 | (43,000) | 302,295 | 302,135 | 160 |
| Material and Supplies | 78,500 | (9,700) | 68,800 | 65,523 | 3,277 |
| Rent | 483,703 | - | 483,703 | 483,703 | - |
| Purchased Professional and Technical Services | 190,150 | 144,190 | 334,340 | 334,111 | 229 |
| Travel | 23,000 | (6,500) | 16,500 | 16,489 | 11 |
| Business and Other Support Services | 79,000 | (9,600) | 69,400 | 66,223 | 3,177 |
| Property and Liability Insurance | 86,000 | (4,700) | 81,300 | 81,289 | 11 |
| Total Support | <u>1,285,648</u> | <u>70,690</u> | <u>1,356,338</u> | <u>1,349,473</u> | <u>6,865</u> |
| Administration: | | | | | |
| Salaries | 614,695 | (9,500) | 605,195 | 604,184 | 1,011 |
| Payroll Taxes and Employee Benefits | 489,930 | 3,910 | 493,840 | 493,400 | 440 |
| Purchased Professional and Technical Services | 138,500 | 9,800 | 148,300 | 146,409 | 1,891 |
| Communications and Telephone | 82,104 | - | 82,104 | 81,874 | 230 |
| Materials and Supplies | - | - | - | - | - |
| Total Administration | <u>1,325,229</u> | <u>4,210</u> | <u>1,329,439</u> | <u>1,325,867</u> | <u>3,572</u> |
| Facilities Acquisition and Construction Services: | | | | | |
| Instructional Equipment | - | - | - | - | - |
| Non-Instructional Equipment | - | - | - | - | - |
| Total Facilities Acquisition and Construction Services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| On Behalf Contributions | | | | | |
| Reimbursed TPAF Social Security Contributions (Non Budgeted) | - | - | - | 171,034 | (171,034) |
| TPAF Non Contributory Insurance (on behalf - Non Budgeted) | - | - | - | 7,828 | (7,828) |
| TPAF Pension Contributions (on behalf - Non Budgeted) | - | - | - | 322,554 | (322,554) |
| TPAF Post Retirement Medical Contributions (on behalf - Non Budgeted) | - | - | - | 213,387 | (213,387) |
| TPAF Long Term Disability (on-behalf Non Budgeted) | - | - | - | 1,677 | (1,677) |
| Total On Behalf Contributions | <u>-</u> | <u>-</u> | <u>-</u> | <u>716,480</u> | <u>(716,480)</u> |
| Total Expenditures | <u>4,750,659</u> | <u>-</u> | <u>4,750,659</u> | <u>5,450,568</u> | <u>(699,909)</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(17,178)</u> | <u>-</u> | <u>(17,178)</u> | <u>(447)</u> | <u>16,731</u> |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,079,292</u> | |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,078,845</u> | |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School
Budgetary Comparison Schedule
Special Revenue Fund
Fiscal Year Ended June 30, 2018**

Exhibit C-2

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual Favorable (Unfavorable) |
|---|--------------------|---------------------|-----------------|----------------|--|
| REVENUES: | | | | | |
| Programs | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal Sources | 167,925 | - | 167,925 | 167,925 | - |
| | <u>167,925</u> | <u>-</u> | <u>167,925</u> | <u>167,925</u> | <u>-</u> |
| EXPENDITURES: | | | | | |
| Current Expense: | | | | | |
| Instruction: | | | | | |
| Salaries | 64,039 | - | 64,039 | 64,039 | - |
| Materials and Supplies | 9,300 | - | 9,300 | 9,300 | - |
| Textbooks | - | - | - | - | - |
| Business and Other Support Services | - | - | - | - | - |
| Purchased Professional and Technical Services | 10,000 | - | 10,000 | 10,000 | - |
| Total Instruction | <u>83,339</u> | <u>-</u> | <u>83,339</u> | <u>83,339</u> | <u>-</u> |
| Support: | | | | | |
| Salaries | 37,871 | - | 37,871 | 37,871 | - |
| Materials and Supplies | - | - | - | - | - |
| Rent | - | - | - | - | - |
| Purchased Professional and Technical Services | 8,989 | - | 8,989 | 8,989 | - |
| Payroll Taxes and Employee Benefits | 26,284 | - | 26,284 | 26,284 | - |
| Travel | 11,442 | - | 11,442 | 11,442 | - |
| Dues and Awards | - | - | - | - | - |
| Business and Other Support Services | - | - | - | - | - |
| Property and Liability Insurance | - | - | - | - | - |
| Total Support | <u>84,586</u> | <u>-</u> | <u>84,586</u> | <u>84,586</u> | <u>-</u> |
| Administration: | | | | | |
| Salaries | - | - | - | - | - |
| Payroll Taxes and Employee Benefits | - | - | - | - | - |
| Purchased Professional and Technical Services | - | - | - | - | - |
| Travel | - | - | - | - | - |
| Materials and Supplies | - | - | - | - | - |
| Total Administration | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Facilities Acquisition and Construction Services: | | | | | |
| Instructional Equipment | - | - | - | - | - |
| Non-Instructional Equipment | - | - | - | - | - |
| Total Facilities Acquisition and Construction Services | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>167,925</u> | <u>-</u> | <u>167,925</u> | <u>167,925</u> | <u>-</u> |
| Excess of Revenues Over Expenditures | - | - | - | - | - |
| Fund Balance, Beginning of Year | - | - | - | - | - |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Notes to the Required Supplementary Information – Part II

**Hoboken Charter School
Required Supplementary Information
Budget to GAAP Reconciliation
Notes to Required Supplementary Information
For the Fiscal Year Ended June 30, 2018**

Exhibit C-3

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

| | | <u>General Fund</u> | | <u>Special Revenue Fund</u> |
|---|-------|-------------------------|-------|-------------------------------------|
| Sources/inflows of resources | | | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule | [C-1] | \$ 5,450,121 | [C-2] | \$ 167,925 |
| 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] | <u>\$ 5,450,121</u> | [B-2] | <u>\$ 167,925</u> |
| Uses/outflows of resources | | | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] | \$ 5,450,568 | [C-2] | \$ 167,925 |
| Differences - budget to GAAP Encumbrances for supplies and services ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received and services rendered for <i>financial reporting</i> purposes. | | - | | - |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] | <u>\$ 5,450,568</u> | [B-2] | <u>\$ 167,925</u> |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Required Supplementary Information – Part III

**Schedules Related to Accounting and Reporting for Pensions
(GASB 68)**

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|--------------|--------------|--------------|--------------|--------------|
| School's proportion of the net pension liability | 0.0072% | 0.0059% | 0.0064% | 0.0056% | 0.0062% |
| School's proportionate share of the net pension liability | \$ 1,381,706 | \$ 1,098,333 | \$ 1,434,587 | \$ 1,676,842 | \$ 1,454,358 |
| School's covered employee payroll | \$ 435,555 | \$ 268,168 | \$ 400,117 | \$ 387,275 | \$ 340,003 |
| School's proportionate share of the net pension liability as a percentage of its covered employee payroll | 317.23% | 409.57% | 358.54% | 432.98% | 427.75% |
| Plan fiduciary net position as a percentage of the total pension liability | 48.72% | 52.08% | 47.93% | 40.13% | 48.10% |

The School Implemented GASB 68 in 6/30/15

This schedule is intended to show a ten year trend. Additional years will be reported as they become available.

**Hoboken Charter School
Schedule of Charter School Contributions - PERS
Last Ten Fiscal years**

Exhibit L-2

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 54,473 | \$ 48,361 | \$ 54,943 | \$ 50,298 | \$ 60,009 |
| Contributions in relation to the required contributions | <u>(54,473)</u> | <u>(48,361)</u> | <u>(54,943)</u> | <u>(50,298)</u> | <u>(60,009)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered employee payroll | 435,555 | 268,168 | 400,117 | 387,275 | 340,003 |
| Contributions as a percentage of covered employee payroll | 12.51% | 18.03% | 13.73% | 12.99% | 17.65% |

The School Implemented GASB 68 in 6/30/15

This schedule is intended to show a ten year trend. Additional years will be reported as they become available.

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School
Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF
Last Ten Fiscal years

Exhibit L-3

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|
| School's proportion of the net pension liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| School's proportionate share of net pension liability | \$ - | \$ - | \$ - | \$ - | \$ - |
| State's proportionate share of the net pension liability associated to the school | <u>8,781,991</u> | <u>9,060,396</u> | <u>11,225,539</u> | <u>12,808,400</u> | <u>13,407,463</u> |
| | <u>\$ 8,781,991</u> | <u>\$ 9,060,396</u> | <u>\$ 11,225,539</u> | <u>\$ 12,808,400</u> | <u>\$ 13,407,463</u> |
| School's covered payroll | \$ 1,623,257 | \$ 1,915,968 | \$ 2,169,784 | \$ 2,261,757 | \$ 2,345,141 |
| State's proportionate share of the net pension liability attributable to the school as a percentage of covered payroll | 541.01% | 472.89% | 517.36% | 566.30% | 571.71% |
| Plan fiduciary net position as a percentage of the total net pension liability | 33.76% | 33.64% | 28.71% | 22.33% | 25.41% |

The School Implemented GASB 68 in 6/30/15

This schedule is intended to show a ten year trend. Additional years will be reported as they become available.

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Schedules Related to Accounting and Reporting for Pensions
(GASB 75)**

Hoboken Charter School
Schedule of Changes in the State's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

Exhibit M-1

| | 2017 |
|---|--------------|
| Total OPEB Liability | |
| Service Cost | \$ 499,225 |
| Interest | 119,381 |
| Benefit Payments | (84,420) |
| Contributions from Members | 3,109 |
| Changes of Assumptions and Other Inputs | (622,484) |
| Net Change in Total OPEB Liability | (85,189) |
| Total OPEB Liability - Beginning | 3,729,936 |
| Total OPEB Liability - Ending | \$ 3,644,747 |
| Covered Employee Payroll | \$ 387,275 |
| Charter School's Proportante Share of the OPEB Liability | 0.00% |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 941.13% |

Notes to Schedule:

Changes of Benefit Terms - None

Changes in Assumptions - The increase in the liability from June 30, 2015 to June 30, 2016 is due to the increase in the assumed discount rate from 3.80% as of June 30, 2015 to 2.85% as of June 30, 2016. The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

The School Implemented GASB 75 in 6/30/18

This schedule is presented to illustrate the requirement information for ten years. However, until a full ten year trend is compiled, the School should present information for those years for which information is available.

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Notes to the Required Supplementary Information – Part III

Hoboken Charter School
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

Public Employees Retirement System (PERS)

Change in Benefit Terms:

None

Change in Assumptions:

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (2.85%) to the current measurement date (3.58%), resulting in a change in the discount rate from 3.98% to 5.00%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% to 2.25%

Teachers Pension and Annuity Fund (TPAF)

Change in Benefit Terms:

None

Changes of Assumptions:

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (2.85%) to the current measurement date (3.58%), resulting in a change in the discount rate from 3.22% to 4.25%. This change in the discount rate is considered to be change in actuarial assumptions under GASB No. 68.

Other Supplementary Information

Special Revenue Fund

Hoboken Charter School
Special Revenue Fund
Combining Schedule of Program Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

Exhibit E-1

| | IDEA Part - B | ESEA Title I | ESEA Title II | ESEA Title IV | Private Sources | Total |
|---|------------------|-----------------|------------------|------------------|--------------------|----------------|
| REVENUES | | | | | | |
| Contributions | \$ - | \$ - | \$ - | \$ - | \$ 2,900 | \$ 2,900 |
| Federal Sources | 57,464 | 86,119 | 11,442 | 10,000 | - | 165,025 |
| Total Revenues | <u>57,464</u> | <u>86,119</u> | <u>11,442</u> | <u>10,000</u> | <u>2,900</u> | <u>167,925</u> |
| EXPENDITURES | | | | | | |
| Instruction: | | | | | | |
| Salaries | - | 64,039 | - | - | - | 64,039 |
| Supplies and Materials | - | 6,400 | - | - | 2,900 | 9,300 |
| Textbooks | - | - | - | - | - | - |
| Business and Other Support Services | - | - | - | - | - | - |
| Purchased Professional and Technical Services | - | - | - | 10,000 | - | 10,000 |
| Total Instruction | <u>-</u> | <u>70,439</u> | <u>-</u> | <u>10,000</u> | <u>2,900</u> | <u>83,339</u> |
| Support services: | | | | | | |
| Salaries | 37,871 | - | - | - | - | 37,871 |
| Supplies and Materials | - | - | - | - | - | - |
| Rentals | - | - | - | - | - | - |
| Employee Benefits and Payroll Taxes | 10,604 | 15,680 | - | - | - | 26,284 |
| Purchased Professional and Technical Services | 8,989 | - | - | - | - | 8,989 |
| Employee Benefits and Payroll Taxes | - | - | - | - | - | - |
| Travel | - | - | 11,442 | - | - | 11,442 |
| Dues and Awards | - | - | - | - | - | - |
| Business and Other Support Services | - | - | - | - | - | - |
| Total Support Services | <u>57,464</u> | <u>15,680</u> | <u>11,442</u> | <u>-</u> | <u>-</u> | <u>84,586</u> |
| Administration | | | | | | |
| Salaries | - | - | - | - | - | - |
| Employee Benefits and Payroll Taxes | - | - | - | - | - | - |
| Purchased Professional and Technical Services | - | - | - | - | - | - |
| Travel | - | - | - | - | - | - |
| Supplies and Materials | - | - | - | - | - | - |
| Total Administration | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital Outlay | | | | | | |
| Instructional Equipment | - | - | - | - | - | - |
| Total Capital Outlay | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>57,464</u> | <u>86,119</u> | <u>11,442</u> | <u>10,000</u> | <u>2,900</u> | <u>167,925</u> |
| Excess of Revenues Over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Proprietary Funds

Hoboken Charter School
Combining Statement of Net Position
Enterprise Funds
June 30, 2018

| | Non-Major Funds | | |
|--|-----------------------|-----------------|-----------|
| | Enrichment Program | Food Service | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 29,575 | \$ 1,045 | \$ 30,620 |
| Accounts receivable | - | 2,507 | 2,507 |
| Prepaid Expenses | 11,093 | - | 11,093 |
| Interfund Receivable | 1,200 | - | 1,200 |
| Total current assets | 41,868 | 3,552 | 45,420 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | - | - | - |
| Furniture, machinery & equipment | - | - | - |
| Less accumulated depreciation | - | - | - |
| Total noncurrent assets | - | - | - |
| Total assets | 41,868 | 3,552 | 45,420 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Interfund Payable | - | 1,200 | 1,200 |
| Deferred revenue | 41,868 | - | 41,868 |
| Total current liabilities | 41,868 | 1,200 | 43,068 |
| Noncurrent Liabilities: | | | |
| Compensated absences | - | - | - |
| Total noncurrent liabilities | - | - | - |
| Total liabilities | 41,868 | 1,200 | 43,068 |
| NET POSITION | | | |
| Invested in capital assets net of related debt | - | - | - |
| Restricted for: | | | |
| Capital projects | - | - | - |
| Unrestricted | - | 2,352 | 2,352 |
| Total net position | \$ - | \$ 2,352 | \$ 2,352 |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Hoboken Charter School
Combining Statement of Revenues, Expenditures, and Changes in Fund Net Position
Enterprise Funds
For the Year Ended June 30, 2018

| | Non-Major Funds | | Total Enterprise |
|---|-----------------------|-------------------------|---------------------|
| | Enrichment Program | Food Service Program | |
| Operating revenues: | | | |
| Charges for services: | | | |
| Daily Sales - Reimbursable Programs | \$ - | \$ 31,486 | \$ 31,486 |
| After School Programs | 257,928 | - | 257,928 |
| Total Operating Revenues | <u>257,928</u> | <u>31,486</u> | <u>289,414</u> |
| Operating expenditures: | | | |
| Salaries | 112,269 | - | 112,269 |
| Payroll Taxes and Employee benefits | 6,319 | - | 6,319 |
| Other Purchased Professional Services | 29,484 | - | 29,484 |
| Cost of Sales - Reimbursable Programs | - | 44,507 | 44,507 |
| Miscellaneous | 109,856 | - | 109,856 |
| Total Operating Expenses | <u>257,928</u> | <u>44,507</u> | <u>302,435</u> |
| Operating Income (Loss) | <u>-</u> | <u>(13,021)</u> | <u>(13,021)</u> |
| State Sources | | | |
| State School Lunch Program | - | 464 | 464 |
| Federal Sources | | | |
| Hunger-Free, Healthy Kids Act | - | 543 | 543 |
| National School Lunch Program | - | 9,476 | 9,476 |
| National School Breakfast Program | - | 1,396 | 1,396 |
| Total Non-Operating Revenue | <u>-</u> | <u>11,879</u> | <u>11,879</u> |
| Change in net position before transfers | <u>-</u> | <u>(1,142)</u> | <u>(1,142)</u> |
| Transfers in (out) | <u>-</u> | <u>-</u> | <u>-</u> |
| Total net position—beginning of year | <u>-</u> | <u>3,494</u> | <u>3,494</u> |
| Total net position—end of year | <u>\$ -</u> | <u>\$ 2,352</u> | <u>\$ 2,352</u> |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Hoboken Charter School
Combining Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2018

| | Non-Major Funds | | |
|--|-----------------------|-------------------------|---------------------|
| | Enrichment Program | Food Service Program | Total Enterprise |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and other funds | \$ 249,146 | \$ 44,348 | \$ 293,494 |
| Payments to employees | (112,269) | - | (112,269) |
| Payments for employee benefits | (6,319) | - | (6,319) |
| Payments to suppliers | (136,605) | (44,507) | (181,112) |
| Net cash provided by (used for) operating activities | <u>(6,047)</u> | <u>(159)</u> | <u>(6,206)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| State sources | - | - | - |
| Federal sources | - | - | - |
| Operating subsidies and transfers to other funds | - | - | - |
| Net cash provided by (used for) non-capital financing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Change in capital contributions | - | - | - |
| Purchases of capital assets | - | - | - |
| Gain/Loss on sale of fixed assets (proceeds) | - | - | - |
| Net cash provided by (used for) capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends | - | - | - |
| Proceeds from sale/maturities of investments | - | - | - |
| Net cash provided by (used for) investing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | (6,047) | (159) | (6,206) |
| Cash and cash equivalents—beginning of year | 35,622 | 1,204 | 36,826 |
| Cash and cash equivalents—end of year | <u>29,575</u> | <u>1,045</u> | <u>30,620</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | - | (1,142) | (1,142) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities | | | |
| (Increase) decrease in accounts receivable, net | - | (217) | (217) |
| (Increase) decrease in prepaid expenses | 2,735 | - | 2,735 |
| (Increase) decrease in prepaid expenses | (1,200) | 1,200 | - |
| Increase (decrease) in deferred revenue | (7,582) | - | (7,582) |
| Total adjustments | <u>(6,047)</u> | <u>983</u> | <u>(5,064)</u> |
| Net cash provided by (used for) operating activities | <u>\$ (6,047)</u> | <u>\$ (159)</u> | <u>\$ (6,206)</u> |

The Accompanying Notes to Financial Statements are an Integral Part of this Statement

Fiduciary Funds

Hoboken Charter School
Combining Statement of Fiduciary Net Position
Trust and Agency Funds
June 30, 2018

Exhibit H-1

| | Trust | | Agency | | |
|---|------------------------------|------------------------|-----------------|-------------------|-------------------------|
| | Unemployment Compensation | Total Trust Fund | Pension | Payroll | Total Agency Fund |
| ASSETS | | | | | |
| Cash | \$ 1,048 | \$ 1,048 | \$ 6,294 | \$ 26,473 | \$ 32,767 |
| Prepaid Expenses | - | - | - | 108,744 | 108,744 |
| Total Assets | <u>\$ 1,048</u> | <u>\$ 1,048</u> | <u>\$ 6,294</u> | <u>\$ 135,217</u> | <u>\$ 141,511</u> |
| LIABILITIES | | | | | |
| Accounts Payable Due To General Fund | \$ 1,048 | \$ 1,048 | \$ 6,294 | \$ - | \$ 6,294 |
| | - | - | - | 135,217 | 135,217 |
| Total Liabilities | <u>\$ 1,048</u> | <u>\$ 1,048</u> | <u>\$ 6,294</u> | <u>\$ 135,217</u> | <u>\$ 141,511</u> |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School
Combining Statement of Changes in Fiduciary Net Position
Trust Fund
For the Year Ended June 30, 2018

Exhibit H-2

| | Unemployment Compensation Trust | Total |
|--------------------------------|--|--------------|
| ADDITIONS | | |
| Contributions: | | |
| Hoboken Charter School | \$ (1,065) | \$ (1,065) |
| Plan Members | (630) | (630) |
| Total Contributions | (1,695) | (1,695) |
| Investment Earnings: | | |
| Interest | - | - |
| Total Additions | (1,695) | (1,695) |
| DEDUCTIONS | | |
| Transfer to General Fund | - | - |
| Quarterly Contribution Reports | (1,695) | (1,695) |
| Unemployment Claims | - | - |
| Total Deductions | (1,695) | (1,695) |
| Change in Net Position | - | - |
| Net Position—Beginning Year | - | - |
| Net Position—End of Year | \$ - | \$ - |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School
Payroll Agency and Pension Fund
Schedule of Receipts and Disbursements
June 30, 2018**

Exhibit H-4

| | Balance June 30, 2017 | Cash Receipts | Cash Disbursements | Balance June 30, 2018 |
|--|----------------------------------|--------------------------|-------------------------------|----------------------------------|
| Payroll Agency Fund | | | | |
| Payroll, Deductions and Withholdings | \$ 23,873 | \$ 3,356,014 | \$ (3,353,414) | \$ 26,473 |
| Pension Fund | | | | |
| Pension Contributions and Withholdings | 6,707 | 294,839 | (295,252) | 6,294 |
| | \$ 30,580 | \$ 3,650,853 | \$ (3,648,666) | \$ 32,767 |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

STATISTICAL SECTION
(Unaudited)

**Hoboken Charter School
Introduction to the Statistical Section**

J series

Contents

Page

Financial Trends

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

69 - 72

Revenue Capacity

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

N/A

Debt Capacity

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

N/A

Demographic and Economic Information

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

73 - 74

Operating Information

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

75 - 78

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

Financial Trends

**Hoboken Charter School
Net Position by Component
Last Ten Fiscal years**

Exhibit J-1

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Governmental Activities | | | | | | ** | | | | |
| Unrestricted | \$ 429,361 | \$ 469,584 | \$ 259,492 | \$ 378,775 | \$ 499,729 | \$ (918,668) | \$ (548,195) | \$ (292,582) | \$ (347,392) | \$ (369,369) |
| Total Governmental Activities Net Position/(Deficit) | \$ 429,361 | \$ 469,584 | \$ 259,492 | \$ 378,775 | \$ 499,729 | \$ (918,668) | \$ (548,195) | \$ (292,582) | \$ (347,392) | \$ (369,369) |
| Business-Type Activities | | | | | | | | ## | | |
| Unrestricted | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,204 | \$ 3,494 | \$ 2,352 |
| Total Business-Type Activities Net Position | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,204 | \$ 3,494 | \$ 2,352 |

**
Restatement of the June 30, 2014 net position as a result of the Implementation of GASB 68 during the fiscal year ended June 30, 2015

Restatement of the June 30, 2016 net position as a result of an adjustment to the Food Service Fund

**Hoboken Charter School
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)**

Exhibit J-2

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| EXPENDITURES | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Salaries | 1,820,661 | 1,816,271 | 1,710,214 | 1,648,520 | 1,682,184 | 1,596,652 | 1,659,440 | 1,796,128 | 1,938,344 | 1,936,791 |
| Materials and Supplies | 105,924 | 87,911 | 56,085 | 78,411 | 93,661 | 86,685 | 95,439 | 103,623 | 105,941 | 74,692 |
| Textbooks | 22,915 | 15,823 | 7,179 | 8,441 | 15,972 | 19,177 | 6,601 | 10,246 | 12,711 | 4,452 |
| Business and Other Support Services | 2,516 | 92 | 222 | 7,488 | 3,653 | 849 | 276 | - | 860 | - |
| Purchased Professional and Technical Services | 146,865 | 111,050 | 79,784 | 66,654 | 52,299 | 66,615 | 74,177 | 56,625 | 56,954 | 42,813 |
| | <u>2,098,881</u> | <u>2,031,147</u> | <u>1,853,484</u> | <u>1,809,514</u> | <u>1,847,769</u> | <u>1,769,978</u> | <u>1,835,933</u> | <u>1,966,622</u> | <u>2,114,810</u> | <u>2,058,748</u> |
| Support: | | | | | | | | | | |
| Salaries | 145,967 | 123,699 | 144,381 | 150,108 | 168,902 | 149,798 | 261,672 | 338,527 | 331,689 | 302,135 |
| Materials and Supplies | 59,164 | 65,530 | 89,603 | 84,946 | 100,608 | 216,149 | 88,178 | 62,030 | 64,721 | 65,523 |
| Rent | 197,475 | 226,688 | 372,990 | 543,368 | 401,975 | 456,092 | 525,129 | 534,452 | 449,142 | 483,703 |
| Purchased Professional and Technical Services | 238,800 | 312,520 | 422,652 | 117,665 | 243,604 | 308,041 | 238,437 | 245,244 | 270,795 | 334,111 |
| Travel | 7,479 | 7,453 | 8,002 | 6,875 | 6,959 | 21,289 | 24,790 | 18,415 | 30,550 | 16,489 |
| Business and Other Support Services | 35,285 | 9,443 | 31,229 | 44,658 | 37,182 | 71,471 | 93,337 | 43,306 | 52,185 | 66,223 |
| Property and Liability Insurance | 70,285 | 18,535 | 41,660 | 25,855 | 19,074 | 80,584 | 64,286 | 61,812 | 81,492 | 81,289 |
| | <u>754,455</u> | <u>763,868</u> | <u>1,110,517</u> | <u>973,475</u> | <u>978,304</u> | <u>1,303,424</u> | <u>1,295,829</u> | <u>1,303,786</u> | <u>1,280,574</u> | <u>1,349,473</u> |
| Administration: | | | | | | | | | | |
| Salaries | 575,238 | 602,214 | 607,654 | 594,506 | 608,674 | 594,495 | 565,696 | 632,723 | 619,751 | 604,184 |
| Payroll Taxes and Employee Benefits | 730,227 | 754,361 | 803,952 | 771,368 | 630,252 | 648,563 | 1,028,010 | 927,047 | 1,082,765 | 1,209,880 |
| Purchased Professional and Technical Services | 171,411 | 157,240 | 166,511 | 162,132 | 276,081 | 177,190 | 145,650 | 110,950 | 132,226 | 146,409 |
| Communication and Telephone | 11,128 | 5,462 | 27,971 | 50,337 | 28,760 | 64,362 | 73,277 | 65,026 | 71,072 | 81,874 |
| Materials and Supplies | 6,917 | 4,077 | 848 | 2,653 | 918 | 2,636 | - | - | - | - |
| | <u>1,494,921</u> | <u>1,523,354</u> | <u>1,606,936</u> | <u>1,580,996</u> | <u>1,544,685</u> | <u>1,487,246</u> | <u>1,812,633</u> | <u>1,735,746</u> | <u>1,905,814</u> | <u>2,042,347</u> |
| Facilities Acquisition and Construction Services | | | | | | | | | | |
| Non-Instructional Equipment | 900 | - | - | - | - | - | - | - | - | - |
| | <u>900</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Governmental Expenses | 4,349,157 | 4,318,369 | 4,570,937 | 4,363,985 | 4,370,758 | 4,560,648 | 4,944,395 | 5,006,154 | 5,301,198 | 5,450,568 |
| Business-Type Activity: | | | | | | | | | | |
| Food Service | - | - | - | 49,284 | 55,941 | 63,474 | 61,603 | 51,022 | 60,094 | 44,507 |
| Enrichment Program | - | 52,543 | 56,561 | 87,697 | 69,236 | 128,747 | 175,182 | 206,568 | 214,049 | 257,928 |
| Total Business-Type Activity Expense | - | 52,543 | 56,561 | 136,981 | 125,177 | 192,221 | 236,785 | 257,590 | 274,143 | 302,435 |
| Total School-Wide Expenses | \$ 4,349,157 | \$ 4,370,912 | \$ 4,627,498 | \$ 4,500,966 | \$ 4,495,935 | \$ 4,752,869 | \$ 5,181,180 | \$ 5,263,744 | \$ 5,575,341 | \$ 5,753,003 |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| District Equalization Aid | \$ 3,069,320 | \$ 3,260,219 | \$ 3,067,918 | \$ 3,156,649 | \$ 3,266,892 | \$ 3,356,662 | \$ 3,493,241 | \$ 3,570,650 | \$ 3,475,809 | \$ 3,169,556 |
| Security Aid | 61,736 | 60,088 | 51,425 | 56,660 | 54,631 | 53,907 | 55,122 | 60,477 | 53,973 | 37,079 |
| Special Education Aid | 134,967 | 142,770 | 139,613 | 125,565 | 124,551 | 152,051 | 132,617 | 154,259 | 154,651 | 126,518 |
| State Adjustment Aid | 963,976 | 766,922 | 971,043 | 925,091 | 853,547 | 838,782 | 849,040 | 938,594 | 1,013,803 | 1,313,825 |
| State Non-Public Aid | - | - | - | 8,729 | 54,086 | - | - | - | 35,245 | 86,503 |
| FICA Reimbursement | 124,843 | 127,386 | 129,389 | 122,429 | 137,238 | 121,828 | 139,249 | 155,636 | 161,894 | 171,034 |
| TPAF Non-Contributory Insurance (on behalf) | - | - | - | - | - | - | - | 6,186 | 7,821 | 7,828 |
| TPAF Pension Contributions (on behalf) | - | - | - | - | - | - | 391,513 | 124,174 | 215,851 | 322,554 |
| TPAF Post Retirement Medical Contributions (on behalf) | - | - | - | - | - | - | 152,432 | 155,223 | 186,369 | 213,387 |
| TPAF Long Term Disability (on behalf) | - | - | - | - | - | - | - | - | 1,888 | 1,677 |
| Interest | 9,539 | 1,207 | 18 | 15 | 9 | 457 | - | - | 76 | 160 |
| Summer Program | - | - | - | 24,653 | - | - | - | - | - | - |
| Contributions | 397 | - | 1,439 | 63,477 | 758 | 270 | 101,654 | 100,772 | - | - |
| Total Governmental Activities | 4,364,778 | 4,358,592 | 4,360,845 | 4,483,268 | 4,491,712 | 4,523,957 | 5,314,868 | 5,265,971 | 5,307,380 | 5,450,121 |
| Business-Type Activities: | | | | | | | | | | |
| Food Service | - | - | - | 21,264 | 28,403 | 36,514 | 30,229 | 30,659 | 23,935 | 31,486 |
| Operating Grants and Contributions | - | - | - | 18,901 | 6,333 | 16,306 | 26,911 | 24,567 | 35,449 | 11,879 |
| Enrichment Program | - | 52,543 | 56,561 | 87,697 | 69,236 | 128,747 | 175,182 | 206,568 | 214,049 | 257,928 |
| Total Business-Type Activity Revenue | - | 52,543 | 56,561 | 127,862 | 103,972 | 181,567 | 232,322 | 261,794 | 273,433 | 301,293 |
| Business-Type Activities: | | | | | | | | | | |
| Transfer | - | - | - | 9,119 | 21,205 | 10,654 | 4,463 | - | - | - |
| Total Business-Type Activities | - | - | - | 9,119 | 21,205 | 10,654 | 4,463 | - | - | - |
| | <u>\$ 4,364,778</u> | <u>\$ 4,411,135</u> | <u>\$ 4,417,406</u> | <u>\$ 4,611,130</u> | <u>\$ 4,595,684</u> | <u>\$ 4,705,524</u> | <u>\$ 5,547,190</u> | <u>\$ 5,527,765</u> | <u>\$ 5,580,813</u> | <u>\$ 5,751,414</u> |
| Change in Net Position | | | | | | | | | | |
| Business-Type Activities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 4,204 | \$ (710) | \$ (1,142) |
| Governmental Activities | \$ 15,621 | \$ 40,223 | \$ (210,092) | \$ 119,283 | \$ 120,954 | \$ (36,691) | \$ 370,473 | \$ 259,817 | \$ 6,182 | \$ (447) |

The School Implemented GASB 68 in 6/30/15

**Hoboken Charter School
Fund Balances - Governmental Funds
Last Ten Fiscal Years**

Exhibit J-3

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | <u>\$ 429,361</u> | <u>\$ 469,584</u> | <u>\$ 259,492</u> | <u>\$ 378,775</u> | <u>\$ 499,729</u> | <u>\$ 463,038</u> | <u>\$ 801,138</u> | <u>\$ 1,073,110</u> | <u>\$ 1,079,292</u> | <u>\$ 1,078,845</u> |
| Total General Fund | <u>\$ 429,361</u> | <u>\$ 469,584</u> | <u>\$ 259,492</u> | <u>\$ 378,775</u> | <u>\$ 499,729</u> | <u>\$ 463,038</u> | <u>\$ 801,138</u> | <u>\$ 1,073,110</u> | <u>\$ 1,079,292</u> | <u>\$ 1,078,845</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Special revenue fund | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

The School Implemented GASB 34 in 6/30/04

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-4

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenues | | | | | | | | | | |
| District Equalization Aid | \$ 3,069,320 | \$ 3,260,219 | \$ 3,067,918 | \$3,156,649 | \$ 3,266,892 | \$ 3,356,662 | \$ 3,493,241 | \$ 3,570,650 | \$3,475,809 | \$3,169,556 |
| Security Aid | 61,736 | 60,088 | 51,425 | 56,660 | 54,631 | 53,907 | 55,122 | 60,477 | 53,973 | 37,079 |
| Special Education Categorical Aid | 134,967 | 142,770 | 139,613 | 125,565 | 124,551 | 152,051 | 132,617 | 154,259 | 154,651 | 126,518 |
| State Adjustment Aid | 963,976 | 766,922 | 971,043 | 925,091 | 853,547 | 838,782 | 849,040 | 938,594 | 1,013,803 | 1,313,825 |
| State Non-Public Aid | - | - | - | 8,729 | 54,086 | - | - | - | 35,245 | 86,503 |
| FICA Reimbursement | 124,843 | 127,386 | 129,389 | 122,429 | 137,238 | 121,828 | 139,249 | 155,636 | 161,894 | 171,034 |
| Interest earnings | 9,539 | 1,207 | 18 | 15 | 9 | 457 | - | - | 76 | 160 |
| Programs | 46,045 | 6,543 | - | 24,653 | - | - | - | - | - | - |
| Contributions | 7,273 | 7,206 | 207,169 | 71,277 | 47,958 | 5,270 | 104,081 | 103,356 | - | - |
| State sources | - | - | - | - | - | - | - | - | - | - |
| Federal sources | 133,440 | 233,883 | 119,739 | 120,998 | 122,420 | 118,152 | 119,182 | 156,634 | 152,993 | 167,925 |
| Total revenue | 4,551,139 | 4,606,224 | 4,686,314 | 4,612,066 | 4,661,332 | 4,647,109 | 4,892,532 | 5,139,606 | 5,048,444 | 5,072,600 |
| Expenditures | | | | | | | | | | |
| Instruction: | | | | | | | | | | |
| Salaries | 1,885,306 | 1,882,567 | 1,768,640 | 1,705,780 | 1,735,195 | 1,649,652 | 1,709,937 | 1,853,266 | 1,970,814 | 2,000,830 |
| Materials and Supplies | 115,037 | 96,620 | 262,661 | 93,711 | 93,661 | 86,685 | 95,439 | 133,607 | 156,957 | 83,992 |
| Textbooks | 22,915 | 15,823 | 7,179 | 8,441 | 15,972 | 19,177 | 6,601 | 10,246 | 12,711 | 4,452 |
| Business and Other Support Services | 2,516 | 92 | 222 | 7,488 | 3,653 | 849 | 276 | - | 860 | - |
| Purchased Professional and Technical Services | 146,865 | 117,056 | 79,784 | 66,654 | 110,347 | 71,615 | 76,604 | 56,625 | 56,954 | 52,813 |
| Support: | | | | | | | | | | |
| Salaries | 145,967 | 123,699 | 144,381 | 150,108 | 168,902 | 149,798 | 296,672 | 374,927 | 368,817 | 340,006 |
| Materials and Supplies | 60,091 | 65,530 | 89,603 | 84,946 | 147,808 | 216,149 | 91,178 | 62,030 | 64,721 | 65,523 |
| Rent | 197,475 | 226,688 | 372,990 | 543,368 | 401,975 | 456,092 | 525,129 | 534,452 | 449,142 | 483,703 |
| Purchased Professional and Technical Services | 243,161 | 312,520 | 470,809 | 162,266 | 243,604 | 361,752 | 254,867 | 273,784 | 290,327 | 343,100 |
| Payroll Taxes and Employee Benefits | 4,945 | - | 4,470 | 4,380 | 4,055 | - | 6,541 | 7,156 | 5,324 | 26,284 |
| Travel | 18,804 | 7,453 | 8,002 | 14,132 | 14,265 | 28,713 | 32,504 | 18,415 | 38,073 | 27,931 |
| Business and Other Support Services | 35,285 | 9,443 | 39,069 | 44,658 | 37,182 | 71,471 | 93,337 | 43,306 | 52,185 | 66,223 |
| Property and Liability Insurance | 70,285 | 18,535 | 41,660 | 25,855 | 19,074 | 80,584 | 64,286 | 61,812 | 81,492 | 81,289 |
| Administration: | | | | | | | | | | |
| Salaries | 575,238 | 602,214 | 607,654 | 594,506 | 608,674 | 594,495 | 565,696 | 632,723 | 619,751 | 604,184 |
| Payroll Taxes and Employee Benefits | 730,227 | 759,433 | 803,952 | 771,368 | 630,252 | 652,580 | 516,438 | 625,105 | 670,836 | 664,434 |
| Purchased Professional and Technical Services | 262,456 | 296,985 | 166,511 | 162,132 | 276,081 | 177,190 | 145,650 | 110,950 | 132,226 | 146,409 |
| Communication and Telephone | 11,128 | 5,462 | 27,971 | 50,337 | 28,760 | 64,362 | 73,277 | 65,026 | 71,072 | 81,874 |
| Travel | - | 12,189 | - | - | - | - | - | - | - | - |
| Materials and Supplies | 6,917 | 13,692 | 848 | 2,653 | 918 | 2,636 | - | - | - | - |
| Facilities Acquisition and Construction Services | - | - | - | - | - | - | - | - | - | - |
| Instructional Equipment | - | - | - | - | - | - | - | - | - | - |
| Non-Instructional Equipment | 900 | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 4,535,518 | 4,566,001 | 4,896,406 | 4,492,783 | 4,540,378 | 4,683,800 | 4,554,432 | 4,863,430 | 5,042,262 | 5,073,047 |
| Excess of Revenues | | | | | | | | | | |
| Over (Under) Expenditures | 15,621 | 40,223 | (210,092) | 119,283 | 120,954 | (36,691) | 338,100 | 276,176 | 6,182 | (447) |
| Other Financing Uses | | | | | | | | | | |
| | - | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | 15,621 | 40,223 | (210,092) | 119,283 | 120,954 | (36,691) | 338,100 | 276,176 | 6,182 | (447) |

Source: School Records

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Demographic and Economic Information

**Hoboken Charter School
Demographic and Economic Statistics**

Exhibit J-14

| <u>Sending District</u> | <u>Population ^a</u> | <u>Personal Income ^b</u> | <u>Per Capita Personal Income ^c</u> | <u>Unemployment Rate ^d</u> |
|-------------------------|--------------------------------|-------------------------------------|--|---|
| Bayonne | 67,186 | \$ 1,928,103,828 | \$ 28,698 | 5.00% |
| Hoboken | 55,131 | 3,830,281,356 | 69,476 | 2.30% |
| Jersey City | 270,753 | 8,878,261,623 | 32,791 | 4.70% |
| North Bergen | 63,659 | 1,648,640,782 | 25,898 | 4.40% |
| Union City | 70,387 | 1,396,055,758 | 19,834 | 5.20% |
| Weehawken | 15,342 | 771,809,994 | 50,307 | 3.00% |
| West New York | 54,227 | 1,414,294,387 | 26,081 | 4.30% |
| Clifton | 86,607 | 2,691,139,311 | 31,073 | 4.70% |
| Paterson City | 148,678 | 2,417,355,602 | 16,259 | 8.30% |
| Rahway City | 30,131 | 873,618,214 | 28,994 | 5.30% |

Source:

^a Regional Economic Information System, Bureau of Economic Analysis

^b Personal income is based upon the population and per capita personal income presented

^c Per capita personal income information by sending district provided by Sperling's Best Places website

^d NJ Dept of Labor and Workforce Development

This information is presented for school year 2017/2018

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**Hoboken Charter School
Principal Employers**

Exhibit J-15

| <u>Employer</u> | <u>2018</u> | |
|--------------------------------|------------------|---|
| | <u>Employees</u> | <u>Percentage of Total Municipal Employment</u> |
| St Mary's Hospital | N/A | N/A |
| Steven Institute of Technology | N/A | N/A |
| John Wiley & Company | N/A | N/A |
| Marsh McClellan | N/A | N/A |
| City of Hoboken | N/A | N/A |

N/A - Employees and Percentage of Total Municipal Employment not available

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Operating Information

**Hoboken Charter School
Full-Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years**

Exhibit J-16

| <u>Function/Program</u> | <u>2008-2009</u> | <u>2009-2010</u> | <u>2010-2011</u> | <u>2011-2012</u> | <u>2012-2013</u> | <u>2013-2014</u> | <u>2014-2015</u> | <u>2015-2016</u> | <u>2016-2017</u> | <u>2017-2018</u> |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Instruction | 44 | 45 | 42 | 39 | 39 | 36 | 35 | 34 | 35 | 37 |
| Support Services (office and lunch): | 3 | 3 | 3 | 4 | 3 | 4 | 6 | 7 | 7 | 10 |
| Administration | <u>12</u> | <u>12</u> | <u>12</u> | <u>12</u> | <u>12</u> | <u>11</u> | <u>9</u> | <u>9</u> | <u>9</u> | <u>8</u> |
| Total | <u>59</u> | <u>60</u> | <u>57</u> | <u>55</u> | <u>54</u> | <u>51</u> | <u>50</u> | <u>50</u> | <u>51</u> | <u>55</u> |

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

Hoboken Charter School
Operating Statistics
Last Ten Fiscal Years

Exhibit J-17

| Fiscal Year | Enrollment as of 10/15 | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | K-12 | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|---------------------------|--|-------------------|----------------------|--------------------------------|------|--|---|--|-------------------------------------|
| | | | | | | | | | | |
| 2008-2009 | 277.0 | 4,535,518 | 16,374 | -0.60% | 38 | 7.3 | 265.6 | 245.9 | 2.1% | 92.6% |
| 2009-2010 | 271.0 | 4,566,001 | 16,849 | 2.90% | 39 | 6.9 | 273.3 | 271.0 | 2.9% | 99.2% |
| 2010-2011 | 274.0 | 4,896,406 | 17,870 | 6.06% | 38 | 7.2 | 273.3 | 258.7 | 0.0% | 94.7% |
| 2011-2012 | 271.0 | 4,492,783 | 16,579 | -7.23% | 39 | 6.9 | 269.0 | 267.6 | -1.6% | 99.5% |
| 2012-2013 | 281.0 | 4,540,378 | 16,158 | -2.54% | 39 | 7.2 | 274.1 | 249.2 | 1.9% | 90.9% |
| 2013-2014 | 279.0 | 4,812,547 | 17,249 | 6.75% | 36 | 7.8 | 277.1 | 270.3 | 1.1% | 97.5% |
| 2014-2015 | 279.0 | 4,729,614 | 16,952 | -1.72% | 35 | 8.0 | 285.2 | 281.1 | 2.9% | 98.6% |
| 2015-2016 | 298.0 | 5,125,225 | 17,199 | 1.46% | 34 | 8.8 | 297.4 | 292.7 | 4.3% | 98.4% |
| 2016-2017 | 298.0 | 5,316,405 | 17,840 | 3.73% | 35 | 8.5 | 296.9 | 278.2 | -0.2% | 93.7% |
| 2017-2018 | 298.0 | 5,375,484 | 18,039 | 1.11% | 37 | 8.1 | 292.5 | 276.7 | -1.5% | 94.6% |

Sources: School Records

Note: Enrollment based on annual October district 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).
The ADA in lower than normal due to the K-8 closing in September 2012 due to the fire and the High School was closed in October due to Hurricane Sandy

The Accompanying Notes to Financial Statements are an Integral Part of This Statement

**HOBOKEN CHARTER SCHOOL
INSURANCE SCHEDULE
June 30, 2018
UNAUDITED**

| | Coverage | Deductible |
|--|------------|------------|
| <u>PROPERTY SECTION: - Chubb Insurance Co of NJ</u> | | |
| Premises Coverage | | |
| 713 Washington St - Personal Property | 3,277,950 | 10,000 |
| Business Income/Extra Expense | 533,000 | 10,000 |
| 360 1st Street - Personal Property | 1,365,812 | 10,000 |
| Business Income/Extra Expense | 533,000 | 10,000 |
| <u>LIABILITY SECTION: School Alliance Insurance Fund (SAIF)</u> | | |
| Comprehensive General Liability | 5,000,000 | |
| Automobile Liability | 5,000,000 | |
| Employee Benefit Liability | 5,000,000 | 1,000 |
| <u>EXCESS LIABILITY:</u> | | |
| Excludes School Board Legal Liability | 15,000,000 | |
| Chartis (SAIF): | | |
| <u>SCHOOL BOARD LEGAL LIABILITY</u> | 5,000,000 | 5,000 |
| <u>EXCESS SCHOOL BOARD LEGAL LIABILITY</u> | 5,000,000 | |
| ACE American Insurance Company (SAIF): | | |
| <u>ENVIRONMENTAL IMPAIRMENT LIABILITY:</u> | | |
| Limit of Liability: | | |
| Incident | 1,000,000 | 10,000 |
| Fund Annual Aggregate | 25,000,000 | |
| <u>WORKERS' COMPENSATION (SAIF):</u> | | |
| (a) Statutory Benefits | Included | |
| (a) Employer's Liability | 5,000,000 | |
| Supplemental Coverage (optional) | Included | |
| <u>CNA SURETY</u> | | |
| Public Employees' Faithful Performance Blanket Position Bond - Treasurer - Marie Hersch | 156,000 | |

Hoboken Charter School
Financial Performance - Financial Ratios
June 30, 2018

Exhibit J-21

| | 2016 | 2017 | 2018 | 3 Year Cumulative |
|-----------------------------------|---------------------|---------------------|---------------------|------------------------------|
| Cash | \$ 856,365 | \$ 1,104,491 | \$ 1,280,159 | |
| Current Assets | <u>1,374,842</u> | <u>1,406,076</u> | <u>1,479,666</u> | |
| Total Assets | <u>1,374,842</u> | <u>1,406,076</u> | <u>1,479,666</u> | |
| Current Liabilities | <u>297,528</u> | <u>326,784</u> | <u>400,821</u> | |
| Total Liabilities | <u>297,528</u> | <u>326,784</u> | <u>400,821</u> | |
| Net Position | <u>\$ 1,077,314</u> | <u>\$ 1,079,292</u> | <u>\$ 1,078,845</u> | |
| Total Revenues | \$ 4,980,388 | \$ 4,895,451 | \$ 4,901,566 | |
| Total Expenses | <u>4,704,212</u> | <u>4,889,269</u> | <u>4,872,013</u> | |
| Change in Net Position | <u>\$ 276,176</u> | <u>\$ 6,182</u> | <u>\$ 29,553</u> | |
| Final Average Daily Enrollment | 294.40 | 296.90 | 292.50 | |
| March 30th Budgeted Enrollment | 288 | 298 | 298 | |
| Near Term Indicators: | 2016 | 2017 | 2018 | 3 Year Cumulative |
| Current Ratio | 4.62 | 4.30 | 3.69 | 4.16 |
| Unrestricted Days Cash | 66.45 | 82.45 | 95.91 | 81.78 |
| Enrollment Variance | 102.22% | 99.63% | 98.15% | 100.00% |
| Default | No | No | No | |
| Sustainability Indicators: | | | | |
| Total Margin | 5.55% | 0.13% | 0.60% | 2.11% |
| Debt to Asset | 0.22 | 0.23 | 0.27 | 0.24 |
| Cash Flow | (36,093) | 248,126 | 175,668 | 212,033 |
| Debt Service Coverage Ratio | N/A | N/A | N/A | |

SINGLE AUDIT SECTION



McIntee Fusaro Del Corral, LLC
Certified Public Accountants & Forensic Consultants

K-1

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

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Hoboken Charter School
County of Hudson
Hoboken, 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, each major fund, and the aggregate remaining fund information of the Hoboken Charter School (the "Charter School"), in the County of Hudson, State of New Jersey, 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 26, 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 Hoboken 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

February 26, 2019



Darren J. Fusaro, CPA
Licensed Public School Accountant
No. CS 00237100
McIntee Fusaro Del Corral, LLC
Fairfield, New Jersey



Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance and State Financial Assistance Required by New Jersey OMB 15-08

Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
Hoboken Charter School
County of Hudson
Hoboken, New Jersey

Report on Compliance for Each Major State Program

We have audited the Hoboken Charter School's compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Hoboken Charter School's major state programs for the year ended June 30, 2018. The Hoboken 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.

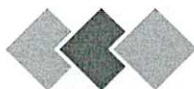
Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hoboken 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the New Jersey State Aid/Grant Compliance Supplement, the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and New Jersey OMB Circular 15-08 *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Hoboken 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 Hoboken Charter School's compliance.



Opinion on Each Major State Program

In our opinion, the Hoboken 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 year ended June 30, 2018.

Report on Internal Control Over Compliance


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

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal 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 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 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 significant deficiencies or material weaknesses. 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.

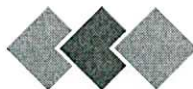
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable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

February 26, 2019



Darren J. Fusaro, CPA
Licensed Public School Accountant
No. CS 00237100
McIntee Fusaro Del Corral, LLC
Fairfield, New Jersey

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Hoboken Charter School
 Schedule of Expenditures of State Financial Assistance
 For the Fiscal Year Ended Jun 30, 2018

| State Grantor/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period From To | Deferred Revenue | Balance at June 30, 2017 | | Cash Received | Budgetary Expenditures | Adjustments | Repayment of Prior Years' Balances | Balance at June 30, 2018 | | MEMO | |
|---|-------------------------------|-------------------------|----------------------|------------------|---------------------------------|------------------|---------------|------------------------|-------------|------------------------------------|--------------------------------------|------------------|-------------|----------------|
| | | | | | Budgetary (Accounts Receivable) | Deferred Revenue | | | | | Budgetary/GAAP (Accounts Receivable) | Deferred Revenue | | Due to Grantor |
| State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Equalization Aid | 16-495-034-5120-078 | 3,570,650 | 7/1/15 6/30/16 | - | (13,862) | 10,305 | - | (3,557) | - | - | - | - | - | - |
| Equalization Aid | 17-495-034-5120-078 | 3,475,809 | 7/1/16 6/30/17 | 14,700 | (102,556) | 102,556 | - | - | - | - | - | - | - | - |
| Equalization Aid | 18-495-034-5120-078 | 3,169,556 | 7/1/17 6/30/18 | - | - | 3,150,797 | (3,169,556) | - | (19,482) | - | 15,423 | - | 3,169,556 | - |
| Special Education Categorical Aid | 18-495-034-5120-089 | 126,518 | 7/1/17 6/30/18 | - | - | 126,518 | (126,518) | - | - | - | - | - | 126,518 | - |
| Security Aid | 18-495-034-5120-084 | 37,079 | 7/1/17 6/30/18 | - | - | 37,079 | (37,079) | - | - | - | - | - | 37,079 | - |
| Charter School Aid | 17-495-034-5120-071 | 1,049,048 | 7/1/16 6/30/17 | 22,817 | - | - | - | - | - | - | - | - | - | - |
| Charter School Aid | 18-495-034-5120-071 | 1,400,328 | 7/1/17 6/30/18 | - | - | 1,379,966 | (1,400,328) | - | - | - | 2,455 | - | 1,400,328 | - |
| Social Security Tax | 18-495-034-5094-003 | 171,034 | 7/1/17 6/30/18 | - | - | 171,034 | (171,034) | - | - | - | - | - | 171,034 | - |
| On-Behalf Non-Contributory Insurance | 18-495-034-5094-004 | 7,828 | 7/1/17 6/30/18 | - | - | 7,828 | (7,828) | - | - | - | - | - | 7,828 | - |
| On-Behalf TPAF Long Term Disability Insurance Contributions | 18-495-034-5094-001 | 1,677 | 7/1/17 6/30/18 | - | - | 1,677 | (1,677) | - | - | - | - | - | 1,677 | - |
| On-Behalf TPAF Post Retirement Medical Contributions | 18-495-034-5094-001 | 213,387 | 7/1/17 6/30/18 | - | - | 213,387 | (213,387) | - | - | - | - | - | 213,387 | - |
| On-Behalf TPAF Pension Contributions | 18-495-034-5095-002 | 322,554 | 7/1/17 6/30/18 | - | - | 322,554 | (322,554) | - | - | - | - | - | 322,554 | - |
| Total General Fund | | | | 37,517 | (116,418) | 5,523,701 | (5,449,961) | (3,557) | - | (19,482) | 17,878 | - | 5,449,961 | - |
| Enterprise Fund: | | | | | | | | | | | | | | |
| State Department of Agriculture | | | | | | | | | | | | | | |
| National School Lunch Program (State Share) | 18-100-010-3350-023 | 464 | 7/1/17 6/30/18 | - | - | 368 | (464) | - | - | - | - | (96) | - | 464 |
| Total Enterprise Fund | | | | - | - | 368 | (464) | - | - | - | - | (96) | - | 464 |
| Total State Financial Assistance | | | | 37,517 | (116,418) | 5,524,069 | (5,450,425) | (3,557) | - | (19,578) | 17,878 | - | 5,450,425 | - |
| Less: | | | | | | | | | | | | | | |
| On-Behalf Non-Contributory Insurance | 18-495-034-5094-004 | | | | | | 7,828 | | | | | | 7,828 | |
| On-Behalf TPAF Long Term Disability Insurance Contributions | 18-495-034-5094-001 | | | | | | 1,677 | | | | | | 1,677 | |
| On-Behalf TPAF Post Retirement Medical Contributions | 18-495-034-5094-001 | | | | | | 213,387 | | | | | | 213,387 | |
| On-Behalf TPAF Pension Contributions | 18-495-034-5095-002 | | | | | | 322,554 | | | | | | 322,554 | |
| Total for State Financial Assistance-Major Program Determination | | | | | | | (4,904,979) | | | | | | (4,904,979) | |

The Accompanying Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an Integral Part of This Schedule

Hoboken Charter School
Notes to Schedules of Expenditures of
Federal Awards and State Financial Assistance
June 30, 2018

Note 1: General

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

Note 2: Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the School's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Circular OMB 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

Note 3: Relationship to Basic Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis. 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 budgetary basis to the GAAP basis is \$-0- for the general fund and the special revenue fund. Revenue from Federal and State awards is reported on the Charter School's basic financial statements on a GAAP basis as presented below:

| | Federal | State | Total |
|--|-------------------|---------------------|---------------------|
| General Fund | \$ -0- | \$ 5,449,961 | \$ 5,449,961 |
| Food Service Fund | 11,415 | 464 | 11,879 |
| Special Revenue Fund | <u>165,025</u> | <u>-0-</u> | <u>165,025</u> |
| Total Awards and Financial Assistance | <u>\$ 176,440</u> | <u>\$ 5,450,425</u> | <u>\$ 5,626,865</u> |

Note 4: Relationship to Federal and State Financial Report

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

Note 5: Other

The amount reported as TPAF Pension Contributions and TPAF Post-Retirement Medical Benefits Contributions represent the amount paid by the state on behalf of the Charter School for the year ended June 30, 2018. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

Note 6: On-Behalf Programs Not Subject to the State Single Audit

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

**Hoboken Charter School
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018**

Section I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified? yes x no

- 2) Significant deficiency(ies) identified that are not considered to be material weaknesses? yes x none reported

Noncompliance material to general-purpose financial statements noted? yes x no

Federal Awards Section

Not Applicable

**Hoboken Charter School
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2018
 (continued)**

Section I – Summary of Auditor’s Results (cont’d.)

State Awards

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

Auditee qualified as low-risk auditee? x yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes x no

2) Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes x none

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

Any audit findings disclosed that are required to be reported
 in accordance with NJOMB Circular Letter 15-08 as applicable? yes x no

Identification of major programs:

State Grant/Project Number

Name of State Program

18-495-034-5120-078
 18-495-034-5120-089
 18-495-034-5120-084
 18-495-034-5120-071

Equalization Aid
 Special Education Categorical Aid
 Security Aid
 Charter School Aid

**Hoboken Charter School
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018
(continued)**

Section II – Financial Statement Findings

No Matters Were Reported

**Hoboken Charter School
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018
(continued)**

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

STATE AWARDS

No Matters Were Reported

**Hoboken Charter School
Summary Schedule of Prior Year Audit Findings and
Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2018**

Status of Prior Year Findings:

No Matters Were Reported