

MARION P. THOMAS CHARTER SCHOOLS



"It takes a whole village to raise a child"

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2018

**PREPARED BY
MARION P. THOMAS CHARTER SCHOOLS
NEWARK, NEW JERSEY**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

TABLE OF CONTENTS

PAGE NO.

INTRODUCTORY SECTION

Letter of Transmittal 1-6
Organizational Chart 7
Roster of Officials 8
Consultants and Advisors 9

FINANCIAL SECTION

Independent Auditors' Report 10-12

**Required Supplementary Information – Part I
Management's Discussion and Analysis** 13-20

Basic Financial Statements

A. Charter School-Wide Financial Statements:

A-1 Statement of Net Position 21
A-2 Statement of Activities 22

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet 23
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances 24
B-3 Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities 25

Proprietary Funds:

B-4 Statement of Net Position 26
B-5 Statement of Revenues, Expenses and Changes in Net Position 27
B-6 Statement of Cash Flows 28

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position 29
B-8 Statement of Changes in Fiduciary Net Position 30

Notes to the Financial Statements 31-66

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

TABLE OF CONTENTS

PAGE NO.

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule–General Fund.....	67-68
C-2 Budgetary Comparison Schedule-Special Revenue Fund	69

Notes to the Required Supplementary Information – Part II

C-3 Budget-to-GAAP Reconciliation	70
---	----

Required Supplementary Information – Part III

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

L-1 Schedule of the Charter School’s Proportionate Share of the Net Pension Liability – PERS	71
L-2 Schedule of Charter School Contributions – PERS	72
L-3 Schedule of the Charter School’s Proportionate Share of the Net Pension Liability – TPAF	73

M. Schedules Related to Accounting and Reporting for OPEB (GASB 75)

M-1 Schedule of the Charter School’s OPEB Liability and Related Ratios.....	74
--	----

Notes to the Required Supplementary Information – Part III..... 75

Other Supplementary Information

D. School Based Budget Schedules.....	N/A
---------------------------------------	-----

E. Special Revenue Fund:

E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis.....	76
E-2 Preschool Education Aid Schedule of Expenditures - Budgetary Basis	N/A

F. Capital Projects Fund.....	N/A
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**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Schedule of Net Position.....	77
G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	78
G-3 Combining Schedule of Cash Flows	79
H. Fiduciary Funds	
H-1 Combining Statement of Fiduciary Net Position.....	80
H-2 Combining Statement of Changes in Fiduciary Net Position.....	81
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	82
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	83
I. Long-Term Debt	
I-1 Schedule of Mortgage Obligations	N/A
I-2 Schedule of Obligations under Capital Leases	84
I-3 Debt Service Fund Budgetary Comparison Schedule.....	N/A
 STATISTICAL SECTION (Unaudited)	
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Assets by Component	85
J-2 Changes in Net Position.....	86-87
J-3 Fund Balances – Governmental Funds.....	88
J-4 Changes in Fund Balances – Governmental Funds	89-90
J-5 General Fund – Other Local Revenue by Source	N/A
Revenue Capacity	
J-6 – J9	N/A
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	91
J-11 – J13	N/A
Demographic and Economic Information	
J-14 Demographic and Economic Statistics.....	92
J-15 Principal Employers	93

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

TABLE OF CONTENTS

PAGE NO.

Operating Information

J-16 Full-time Equivalent Charter School Employees by Function/Program	94
J-17 Operating Statistics	95
J-18 School Building Information	96
J-19 Schedule of Allowable Required Maintenance Expenditures by School Facility	N/A
J-20 Insurance Schedule	97-98
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios.....	99

SINGLE AUDIT SECTION

K-1 Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100-101
K-2 Independent Auditors' Report on Compliance for Each Major Federal and State Programs and on Internal Control over Compliance in Accordance with Uniform Guidance and New Jersey OMB Circular Letter 15-08	102-104
K-3 Schedule of Expenditures of Federal Awards, Schedule A.....	105
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B.....	106
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	107-108
K-6 Schedule of Findings and Questioned Costs – Summary of Auditors' Results	109-110
K-7 Schedule of Findings and Questioned Costs – Schedule of Financial Statement Findings and Schedule of Federal and State Award Findings and Questioned Costs	111-113
K-8 Summary Schedule of Prior Year Audit Findings	114



"It Takes A Whole Village To Raise A Child"

February 25, 2019

Dr. Lamont Repollet
Commissioner
New Jersey Department of Education
100 Riverview Executive Plaza
CN – 500
Trenton, New Jersey 08625-0500

Dear Dr. Repollet:

We hereby submit the Comprehensive Annual Financial Report of the Marion P. Thomas Charter Schools (the "Charter School") for the fiscal year ended June 30, 2018. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to fairly present the financial position and result 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 basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The Charter School is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* Information related to this single audit, including the auditors' report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Marion P. Thomas Charter Schools (the "Charter School") is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

1) **REPORTING ENTITY AND ITS SERVICES - CONTINUED**

The Charter School provides a full range of educational services appropriate to grade levels Pre-K through 12. This includes regular student enrollment. We will accept special education and handicapped children by law if application is made to Charter School as required by law. The Charter School completed the fiscal year 2017-2018 with an average daily enrollment of 1,359 students, which are 28 students above the previous year's enrollment. The following details the changes in student enrollment of the school over the last ten years.

Student Enrollment

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2017-2018	1,359	2.1%
2016-2017	1,331	1.2%
2015-2016	1,315	3.3%
2014-2015	1,290	72.5%
2013-2014	748	7.8%
2012-2013	694	5.5%
2011-2012	658	14.8%
2010-2011	573	12.4%
2009-2010	510	9.0%
2008-2009	468	32.2%

2) **ECONOMIC CONDITION AND OUTLOOK**

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

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

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

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

2) **ECONOMIC CONDITION AND OUTLOOK – CONTINUED**

Like other urban areas, Newark has experienced a decline in its manufacturing base. This phenomenon has caused significant unemployment and underemployment amongst its indigenous working class population. Although Newark has experienced growth in its service sector, this has not had substantial impact on the City's employment rate.

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

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

3) **MAJOR INITIATIVES**

In 2017-2018, Marion P. Thomas Charter School (MPTCS) carried out the following major initiatives:

- A. Successful Charter Renewal:** On January 11th, 2018, after intensive evaluation of its academic performance, fiscal viability, and operational stability by state officials, MPTCS secured full charter renewal for the fourth time from the New Jersey Department of Education. In addition to being awarded another five years of operation, the NJDOE also approved a request to expand K-12 enrollment from 1400 students to 1950 students over the next 3 years. The charter renewal also allowed for reinstatement of the preschool program, which will add even more seats.
- B. Foundation Laid for Facility Expansion:** After securing charter renewal, MPTCS partnered with a local developer to begin acquisition and renovation of two new properties in Newark (538 Clinton Avenue and 28 Burnett Street), both former district schools, to house future enrollment growth.
- C. Improved Academic Achievement:** Results from the May 2018 administration of the state assessment showed increasing proficiency in literacy and math. Across all grades, proficiency in English Language Arts grew 2.7% and in math grew 2.8%. For just elementary grades, proficiency grew 4.2% in ELA and 4.4% in math. Because of this significant growth, MPTCS met all of its growth targets under federal school accountability standards.

3) **MAJOR INITIATIVES (CONTINUED)**

D. Leadership Transition: After 20 years, the founder and CEO of MPTCS, Dr. Karen Thomas, retired in June 2018. Prior to her departure, the organization hired an Interim Chief School Administrator, Misha Simmonds, ensuring a smooth transition and sustainability of operations as the search for a permanent leader continued. Mr. Simmonds brings 8 years of experience as the leader of another Newark charter school, including national recognition for increasing student achievement.

4) **INTERNAL ACCOUNTING CONTROLS**

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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 Board of Trustees.

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

5) **BUDGETARY CONTROLS**

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund and 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. A reservation of fund balance in the total amount \$97,207 was made at June 30, 2018.

6) ACCOUNTING SYSTEM AND REPORT

The Charter School’s accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements”, Note 1.

7) FINANCIAL STATEMENT INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund and Special Revenue Fund revenues and expenditures for the fiscal years ended June 30, 2018 and 2017, and the amount of increases or decreases in relation to prior year’s revenues and expenditures:

<u>Revenues</u>	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>	<u>% Change</u>
Local sources	\$ 3,096,984	\$ 2,934,739	\$ 162,245	5.5%
State sources	22,239,059	21,379,796	859,263	4.0%
Federal sources	1,332,121	994,249	337,872	34.0%
	<u>\$ 26,668,164</u>	<u>\$ 25,308,784</u>	<u>\$ 1,359,380</u>	5.4%
<u>Expenditures</u>				
Instruction	\$ 13,211,942	\$ 12,226,367	\$ 985,575	8.1%
Administrative	7,357,080	7,047,175	309,905	4.4%
Support	6,012,648	6,540,675	(528,027)	-8.1%
Capital Outlay	45,000	3,000	42,000	0.0%
TPAF Social Security	642,397	476,359	166,038	34.9%
TPAF on-behalf payments	1,440,755	1,042,036	398,719	38.3%
Transfer-out - Food Service	165,000	120,000	45,000	37.5%
Total	<u>\$ 28,874,822</u>	<u>\$ 27,455,612</u>	<u>\$ 1,419,210</u>	5.2%

8) CASH MANAGEMENT

The investment policy of the Charter School is guided in large part by State Statute as detailed in “Notes to the Financial Statements”, Notes 1 and 3. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”).

GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposits with a failed banking institution in New Jersey. It requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the GUDPA.

9) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker's compensation (see J-20).

10) OTHER INFORMATION

Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Koh LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the related New Jersey OMB Circular Letter 15-08.

The auditors' report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Marion P. Thomas Charter Schools Board of Trustees for their concern in providing fiscal accountability to the citizens and taxpayers of the Newark Public School District and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

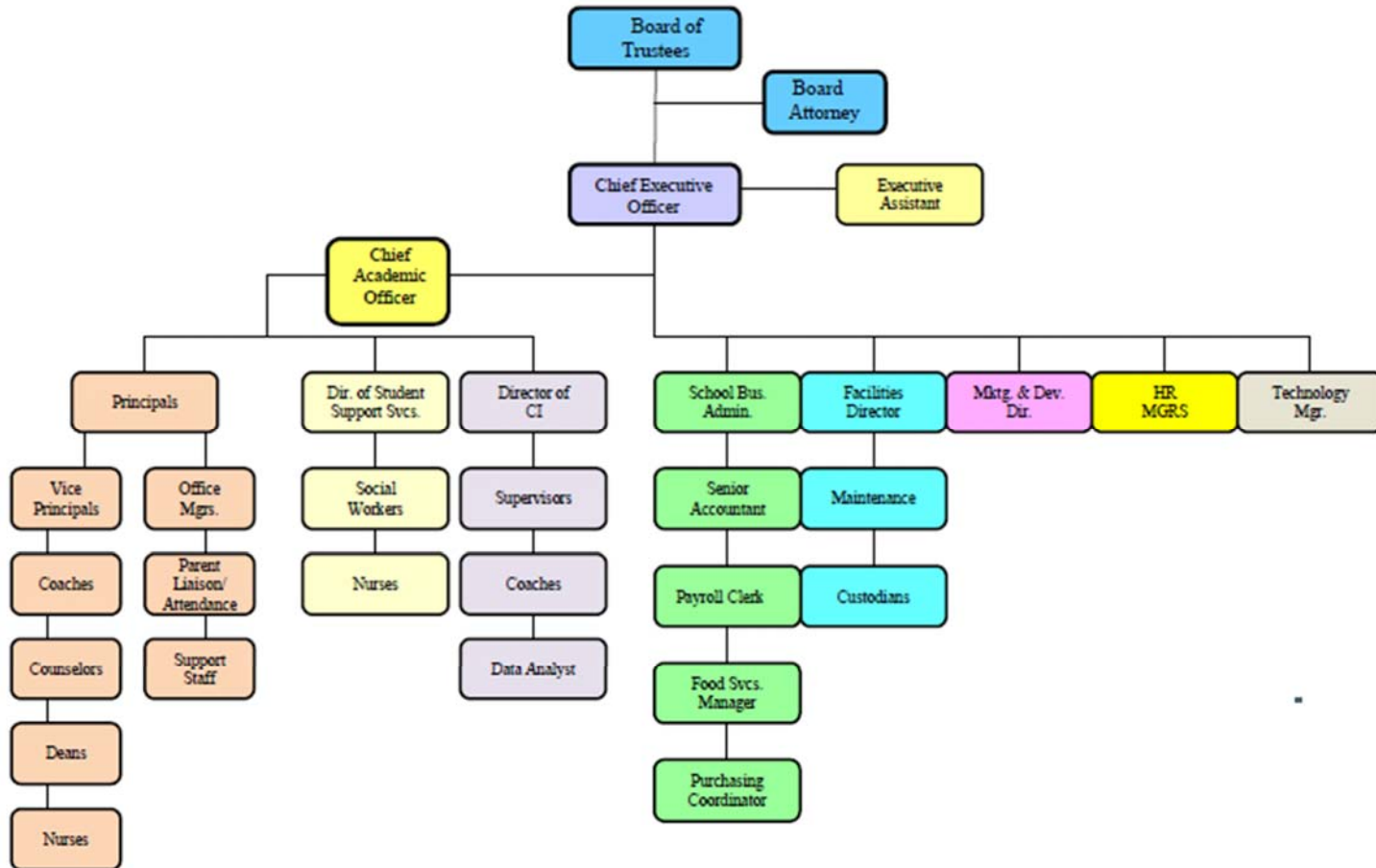
Respectfully submitted,



Misha Simmonds
Interim Chief School Administrator

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ORGANIZATIONAL CHART



**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ROSTER OF OFFICIALS

JUNE 30, 2018

Members of Board of Trustees

Greg Collins	Chair, Voting
Pastor Vincent Rouse	1st Vice Chair, Voting
Rev. Ronald Slaughter	2nd Vice-Chair, Voting
David Blount	Member, Voting
Reginald Petty	Member, Voting
Lesley Leslie	Member, Voting
Tysha Kidd	Member, Voting
Khaatin Sherrer El	Member, Voting
Briana Gilchrist	Member, Voting
Michelle Jones	Member, Voting
Craig Rogers	Member, Voting
Misha Simmonds	Interim Chief School Administrator/ Non-Voting W.E.F. May 15, 2018
Femi Amarin	School Business Administrator/ Board Secretary, Non-voting
Karen Thomas (until June 30, 2018)	CEO/Assistant Secretary, Non-voting

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Koh LLP
115 Davis Station Rd
Cream Ridge, NJ 08514

Attorneys

Jalloh & Jalloh LLC
21 W. Blancke Street, Suite 2
Linden, NJ 07036

Porzio, Bromberg and Newman, P.C
100 Southgate Parkway
P.O. Box 1997
Morristown, NJ 07962

Official Depositories

Wells Fargo
765 Broad Street
Newark, New Jersey 07104

City National Bank
900 Broad Street
Newark, New Jersey 07102

TD Bank
356 Springfield Avenue
Newark, NJ 07103

Official Newspaper

The Star Ledger

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, 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 Marion P. Thomas Charter Schools (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 of 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 auditors' 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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

Opinions

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

Emphasis of a Matter

We draw attention to Notes 2 and 8 in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*. Our opinion is not modified with respect to this matter

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 20, Budgetary Comparison Information on pages 67 through 70, and information related to Accounting and Reporting for Pensions (GASB 68) and OPEB (GASB 75) on pages 71 through 75 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.

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

INDEPENDENT AUDITORS' REPORT - CONTINUED

The accompanying combining and individual fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

February 25, 2019
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARION P. THOMAS CHARTER SCHOOLS (COUNTY OF ESSEX, NEW JERSEY)

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

Introduction

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

The Management’s Discussion and Analysis (MD&A) is an element of the reporting Model adopted by the Governmental Accounting Standards Board (GASB).

Financial Highlights

Key financial highlights for the fiscal year 2018 are as follows:

- In total, the net position decreased from the \$(1.31 million) to \$(4.98 million). This significant was due to increase in instructional and administrative expenses in 2018.
- The net position of governmental activities decreased by \$3.57 million and the net position of business-type activities, which represent food service and after care operations, decreased by \$0.097 million in 2018.
- General revenues accounted for \$23.13 million in revenue or 75% of total revenues of \$30.96 million. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$7.11 million or 23% of total revenues.
- The Charter School had \$33.81 million in expenses related to governmental activities; \$7.1 million of these expenses were offset by operating grants and contributions. General revenues (primarily Local, Federal and State Aid) of \$23.13 million were inadequate to provide for the balance of these programs. The General Fund reported fund balances at June 30, 2018 of \$2.52 million of which \$97 thousand is unassigned.

Basic Financial Statements

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information. The report is organized so the reader can understand the Marion P. Thomas Charter Schools as a financial whole, or as an entire operating entity. The first two basic financial Statements, the statement of net position and the statement of activities, are governmental- wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School’s finances and a long-term view of those finances.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Fund Financial Statements

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

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

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

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

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

Reporting the Charter School as a Whole

Statement of Net Position and Statement of Activities

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid. These two statements report the Charter School's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2018. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Statement of Net Position and Statement of Activities - continued

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

Business-Type Activity – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's major funds, not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

Governmental Funds

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

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

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

Enterprise Fund

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School’s net position at June 30, 2018.

The total net position of the Charter School decreased by \$3.8 million during the current fiscal year. The decrease is due to increase in expenses compared to revenues.

Net Assets

	Governmental Activities	Business Type Activities	Total
Assets			
Current Assets	\$ 2,461,766	\$ 170,657	\$ 2,632,423
Capital Assets, net	<u>396,609</u>	<u>-</u>	<u>396,609</u>
Total Assets	<u>2,858,375</u>	<u>170,657</u>	<u>3,029,032</u>
Deferred Outflow of of Resources			
	<u>7,037,241</u>	<u>-</u>	<u>7,037,241</u>
Liabilities			
Current Liabilities	(56,080)	538,775	482,695
Noncurrent Liabilities	<u>11,535,604</u>	<u>-</u>	<u>11,535,604</u>
Total Liabilities	<u>11,479,524</u>	<u>538,775</u>	<u>12,018,299</u>
Deferred Inflow of of Resources			
	<u>3,030,762</u>	<u>-</u>	<u>3,030,762</u>
Net Position			
Invested in Capital Assets (net of related debt)	235,580	-	235,580
Restricted for Food service	659,025	-	659,025
Unrestricted	<u>(5,509,275)</u>	<u>(368,118)</u>	<u>(5,877,393)</u>
Total Net Position	<u>\$ (4,614,670)</u>	<u>\$ (368,118)</u>	<u>\$ (4,982,788)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole – continued

In 2018, total revenues increased by \$0.6 million about 3% compared to total revenues in 2017. Total expenses increased by \$3.5 million, about 21%.

	Governmental		Business Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 107,006	\$ 139,102	\$ 107,006	\$ 139,102
Operating grants and Contributions	<u>7,108,519</u>	<u>4,778,739</u>	<u>726,896</u>	<u>617,347</u>	<u>7,835,415</u>	<u>5,396,086</u>
Total Program Revenues	<u>7,108,519</u>	<u>4,778,739</u>	<u>833,902</u>	<u>756,449</u>	<u>7,942,421</u>	<u>5,535,188</u>
General Revenues:						
Local Aid	3,080,501	2,849,977	-	-	3,080,501	2,849,977
Federal and State Aid	20,216,363	19,828,808	-	-	20,216,363	19,828,808
Miscellaneous and transfers	<u>(162,855)</u>	<u>(115,841)</u>	<u>165,000</u>	<u>120,000</u>	<u>2,145</u>	<u>4,159</u>
Total General Revenues	<u>23,134,009</u>	<u>22,562,944</u>	<u>165,000</u>	<u>120,000</u>	<u>23,299,009</u>	<u>22,682,944</u>
Total Revenues	<u>30,242,528</u>	<u>27,341,683</u>	<u>998,902</u>	<u>876,449</u>	<u>31,241,430</u>	<u>28,218,132</u>
Expenses						
Instructions	20,999,050	17,951,352	-	-	20,999,050	17,951,352
Support Services:						
Administrative expenses	4,752,713	4,186,190	-	-	4,752,713	4,186,190
Other support services	7,912,986	8,183,922	-	-	7,912,986	8,183,922
Unallocated:						
Capital outlay	16,500	3,000	-	-	16,500	3,000
Depreciation	131,441	94,013	-	-	131,441	94,013
Food Service	-	-	1,034,773	864,079	1,034,773	864,079
After Care	<u>-</u>	<u>-</u>	<u>61,907</u>	<u>66,546</u>	<u>61,907</u>	<u>66,546</u>
Total Expenses	<u>33,812,690</u>	<u>30,418,477</u>	<u>1,096,680</u>	<u>930,625</u>	<u>34,909,370</u>	<u>31,349,102</u>
Change in Net Position	<u>\$ (3,570,162)</u>	<u>\$ (3,076,794)</u>	<u>\$ (97,778)</u>	<u>\$ (54,176)</u>	<u>\$ (3,667,940)</u>	<u>\$ (3,130,970)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2018.

	<u>Total Cost of Services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 20,999,050	\$ 5,056,672	\$ (15,942,378)
Support Services:			
Administrative expenses	4,752,713	1,021,516	(3,731,197)
Other support services	7,912,986	1,030,331	(6,882,655)
Capital Outlay			
Instructional equipment	16,500	-	(16,500)
Unallocated:			
Depreciation	131,441	-	(131,441)
Total Expenses	<u>\$ 33,812,690</u>	<u>\$ 7,108,519</u>	<u>\$ (26,704,171)</u>

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$0.83 million and operating expenses of \$1.01 million for fiscal year 2018. The Charter School continued in its effort to have food services be self-operating without assistance from the General Fund.

The Charter School’s Funds

The Charter School’s governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$26.67 million and expenditures and other financing uses of \$28.71 million.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED

General Fund Budgeting Highlights

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

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

For the General Fund, final budgeted revenues were \$23.14 million which included a local tax levy of \$2.98 million. Expenditures and other financing uses were budgeted at \$26.3 million. The Charter School anticipated a decrease in fund balance of \$3.1 million. Actual revenues were \$25.4 million and expenditures and other financing uses were \$27.6 million, decreasing the fund balance by \$2.2 million.

The State of New Jersey reimbursed the Charter School \$642,397 during the year ended June 30, 2018 for the employer’s share of social security contributions for TPAF members while on-behalf TPAF payments for pensions and post-retirement medical benefits, and long-term disability insurance were \$1,440,755. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2018, the Charter School had \$396,609 invested in capital assets all in governmental activities.

	Governmental Activities	Business Type Activities	Total
Equipment	\$ 783,179	\$ -	\$ 783,179
Vehicles/Buses	265,271	-	265,271
Leasehold improvements	<u>693,584</u>	-	<u>693,584</u>
Total capital assets	1,742,034	-	1,742,034
Less accumulated depreciation	<u>(1,345,425)</u>	-	<u>(1,345,425)</u>
Totals	<u>\$ 396,609</u>	<u>\$ -</u>	<u>\$ 396,609</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Economic Factors and Next Year's Budget

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

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to:

Marion P. Thomas Charter Schools
Business Office
125 Sussex Avenue
Newark, New Jersey 07103

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 949,100	\$ 32,901	\$ 982,001
Accounts receivable	869,454	137,756	1,007,210
Interfund receivables	221,935	-	221,935
Security deposit	2,020	-	2,020
Prepaid expenses	419,257	-	419,257
Total current assets	<u>2,461,766</u>	<u>170,657</u>	<u>2,632,423</u>
Capital Assets:			
Machinery and equipment	783,179	-	783,179
Vehicles	265,271	-	265,271
Leasehold improvements	693,584	-	693,584
	1,742,034	-	1,742,034
Less: Accumulated depreciation	<u>(1,345,425)</u>	<u>-</u>	<u>(1,345,425)</u>
Net capital assets	<u>396,609</u>	<u>-</u>	<u>396,609</u>
Total assets	<u>2,858,375</u>	<u>170,657</u>	<u>3,029,032</u>
Deferred Outflow of Resources	<u>7,037,241</u>	<u>-</u>	<u>7,037,241</u>
Liabilities			
Current Liabilities:			
Accounts payable	180,318	76,703	257,021
Intergovernmental payable:			
State	216,555	-	216,555
Interfund payables (internal)	(462,072)	462,072	-
Deferred revenues	9,119	-	9,119
Total current liabilities	<u>(56,080)</u>	<u>538,775</u>	<u>482,695</u>
Noncurrent Liabilities:			
Due within one year	706,226	-	706,226
Due in more than one year	10,829,378	-	10,829,378
Total noncurrent liabilities	<u>11,535,604</u>	<u>-</u>	<u>11,535,604</u>
Total liabilities	<u>11,479,524</u>	<u>538,775</u>	<u>12,018,299</u>
Deferred Inflow of Resources	<u>3,030,762</u>	<u>-</u>	<u>3,030,762</u>
Net Position			
Invested in capital assets, net of related debt	235,580	-	235,580
Restricted for Food service	659,025	-	659,025
Unrestricted	<u>(5,509,275)</u>	<u>(368,118)</u>	<u>(5,877,393)</u>
Total net position	<u>\$ (4,614,670)</u>	<u>\$ (368,118)</u>	<u>\$ (4,982,788)</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:						
Instruction	\$ 20,999,050		\$ 5,056,672	\$ (15,942,378)	\$ -	\$ (15,942,378)
Administrative cost	4,752,713	-	1,021,516	(3,731,197)	-	(3,731,197)
Support services	7,912,986	-	1,030,331	(6,882,655)	-	(6,882,655)
Capital outlay						
Instructional equipment	16,500	-	-	(16,500)	-	(16,500)
Unallocated:						
Depreciation	131,441	-	-	(131,441)	-	(131,441)
Total governmental activities	<u>33,812,690</u>	<u>-</u>	<u>7,108,519</u>	<u>\$ (26,704,171)</u>	<u>-</u>	<u>(26,704,171)</u>
Business-type activities:						
Food service	1,034,773	24,364	726,896	-	(283,513)	(283,513)
After care	61,907	82,642	-	-	20,735	20,735
Total business-type activities	<u>1,096,680</u>	<u>107,006</u>	<u>726,896</u>	<u>-</u>	<u>(262,778)</u>	<u>(262,778)</u>
Total primary government	<u>\$ 34,909,370</u>	<u>\$ 107,006</u>	<u>\$ 7,835,415</u>	<u>\$ (26,704,171)</u>	<u>\$ (262,778)</u>	<u>\$ (26,966,949)</u>
General revenues, transfers and special items:						
Local sources				3,080,501	-	3,080,501
State sources				20,155,907	-	20,155,907
Federal sources				60,456	-	60,456
Transfer				(165,000)	165,000	-
Miscellaneous				2,145	-	2,145
Total general revenues, transfers and special items				<u>23,134,009</u>	<u>165,000</u>	<u>23,299,009</u>
Changes in net position				(3,570,162)	(97,778)	(3,667,940)
Net position at beginning of year				(1,044,508)	(270,340)	(1,314,848)
Net position at ending of year (A-1)				<u>\$ (4,614,670)</u>	<u>\$ (368,118)</u>	<u>\$ (4,982,788)</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 949,100	\$ -	\$ 949,100
Accounts receivables:			
Other	125,000	-	125,000
State	379,310	-	379,310
Federal	-	365,144	365,144
Interfund receivables	1,040,032	-	1,040,032
Security deposit	2,020	-	2,020
Prepaid expenses	<u>419,257</u>	<u>-</u>	<u>419,257</u>
Total assets	<u>\$ 2,914,719</u>	<u>\$ 365,144</u>	<u>\$ 3,279,863</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 180,318	\$ -	\$ 180,318
Intergovernmental payables:			
State	216,555	-	216,555
Interfund payables	-	356,025	356,025
Deferred revenue	<u>-</u>	<u>9,119</u>	<u>9,119</u>
Total liabilities	<u>396,873</u>	<u>365,144</u>	<u>762,017</u>
Fund balances:			
Assigned	97,207	-	97,207
Unassigned	<u>2,420,639</u>	<u>-</u>	<u>2,420,639</u>
Total fund balances	<u>2,517,846</u>	<u>-</u>	2,517,846
Total liabilities and fund balances	<u>\$ 2,914,719</u>	<u>\$ 365,144</u>	
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			\$ 1,742,034
			<u>(1,345,425)</u>
			<u>396,609</u>
Deferred outflow and deferred inflow of resources and amortized in the statement of activities			
			4,006,479
Long-term liabilities, including compensated absences and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			(161,029)
			(397,662)
			<u>(10,976,913)</u>
			<u>(11,535,604)</u>
Net position of governmental activities - A-1			<u>\$ (4,614,670)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Total
Revenues			
Local Sources:			
Local tax levy	\$ 2,955,501	\$ -	\$ 2,955,501
Grants and contributions	-	14,338	14,338
Services provided to a Charter School	125,000		125,000
Miscellaneous	<u>2,145</u>	<u>-</u>	<u>2,145</u>
Total revenues -local sources	3,082,646	14,338	3,096,984
State sources	20,155,907	-	20,155,907
Federal sources	60,456	1,271,665	1,332,121
Reimbursed TPAF - Social Security (non-budgeted)	642,397	-	642,397
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	872,801	-	872,801
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	563,723	-	563,723
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>4,231</u>	<u>-</u>	<u>4,231</u>
Total revenues	<u>25,382,161</u>	<u>1,286,003</u>	<u>26,668,164</u>
Expenditures			
Current expense:			
Instruction	12,179,651	1,032,291	13,211,942
Administrative cost	7,132,713	224,367	7,357,080
Support services	5,983,303	29,345	6,012,648
Capital outlay			
Facilities and acquisition	45,000	-	45,000
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	642,397	-	642,397
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	872,801	-	872,801
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	563,723	-	563,723
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>4,231</u>	<u>-</u>	<u>4,231</u>
Total expenditures	<u>27,423,819</u>	<u>1,286,003</u>	<u>28,709,822</u>
Excess (deficiency) of revenues over expenditures	(2,041,658)	-	(2,041,658)
Other financing sources (uses):			
Operating transfers out - Food Program	<u>(165,000)</u>	<u>-</u>	<u>(165,000)</u>
Net change in fund balances	(2,206,658)	-	(2,206,658)
Fund balances at beginning of year	<u>4,724,504</u>	<u>-</u>	<u>4,724,504</u>
Fund balances at end of year	<u>\$ 2,517,846</u>	<u>\$ -</u>	<u>\$ 2,517,846</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Total net change in fund balances - governmental funds (B-2) \$ (2,206,658)

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

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

Capital outlay	28,500
Depreciation expense	<u>(131,441)</u>
	(102,941)

Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces noncurrent liabilities in the Statement of Net Assets and are not reported in the Statement of Activities.

36,553

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated absences	4,552
Pension costs	<u>(1,301,668)</u>
	<u>(1,297,116)</u>

\$ (3,570,162)

PROPRIETARY FUNDS

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 32,901
Accounts receivables:	
Federal	136,772
State	984
	<u>137,756</u>

Total assets	<u>\$ 170,657</u>
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Liabilities

Current liabilities:

Accounts payable	\$ 76,703
Interfund payable - General Fund	<u>462,072</u>

Total liabilities	538,775
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Net position

Unrestricted (Deficit)	<u>(368,118)</u>
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Total liabilities and net position	<u>\$ 170,657</u>
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**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2018

Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ 24,364
Miscellaneous revenue	82,642
Total operating revenues	<u>107,006</u>
Operating expenses:	
Cost of sales - reimbursable programs	818,643
Salaries	256,727
Supplies and materials	21,310
Total operating expenses	<u>1,096,680</u>
Operating loss	<u>(989,674)</u>
Nonoperating revenues:	
State sources:	
State School Lunch	7,817
Federal sources:	
National School Lunch	473,636
National School Breakfast	180,672
Fresh Fruit and Vegetable	24,518
Food Commodities	40,253
Total nonoperating revenues	<u>726,896</u>
Net loss before contributions & transfers	(262,778)
Other financing sources:	
Transfers in - General Fund	<u>165,000</u>
Change in net position	(97,778)
Net position at beginning of year	<u>(270,340)</u>
Net position at end of year	<u>\$ (368,118)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

Cash flows from operating activities

Operating loss	\$ (989,674)
Changes in assets and liabilities:	
Increase in accounts receivable	(23,319)
Decrease in accounts payable	(4,913)
Decrease in interfund payable	<u>127,526</u>
Net cash from operating activities	(890,380)

Cash flows from noncapital financing activities

Transfer-in from General Fund	165,000
Cash received from state and federal reimbursements	<u>726,896</u>
Net cash from noncapital financing activities	<u>891,896</u>
Net increase in cash and cash equivalents	1,516
Cash and cash equivalents at beginning of year	<u>31,385</u>
Cash and cash equivalents at end of year	<u><u>\$ 32,901</u></u>

FIDUCIARY FUNDS

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

Assets

Cash and cash equivalents	\$ 519,555
Interfund receivables	<u>132,106</u>
Total assets	<u>\$ 651,661</u>

Liabilities and Net Position

Liabilities:

Payroll withholdings payable	\$ 134,076
Accounts payable	13,979
Summer payroll payable	149,565
Interfund payables	<u>354,041</u>
Total liabilities	<u>651,661</u>

Net Position

Restricted	
Unemployment compensation	<u>-</u>
Total net position	<u>-</u>
Total liabilities and net position	<u>\$ 651,661</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2018

Revenues:		
General fund appropriation	\$	294,261
Employees' contributions		<u>57,767</u>
Total revenues		<u>352,028</u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u>352,028</u>
Total expenditures		<u>352,028</u>
Excess (deficiency) of revenue over expenditures		-
Net position at beginning of year		<u>-</u>
Net position at end of year	\$	<u><u>-</u></u>

**NOTES TO THE
BASIC FINANCIAL STATEMENTS**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Marion P. Thomas Charter Schools (the "Charter School" or "MPTCS") is presented to assist in understanding the Charter School's financial statements and notes are representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and have been consistently applied in the preparation of these financial statements.

A. Reporting Entity:

The Charter School was incorporated in the State of New Jersey on March 13, 1997 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

B. Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the Government Auditing Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation

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

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The Charter School conforms to the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

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

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

D. Basic Financial Statements

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

Government-wide Financial Statements

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

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 each program or function of the Charter School's governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

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

E. Governmental Funds

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

E. Governmental Funds - Continued

- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.

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

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

F. Proprietary Funds

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Proprietary Funds - Continued

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

Internal Service (Self-Insurance) Fund:

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

G. Fiduciary Funds

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

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

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

Agency Funds – Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations. Agency funds include payroll and student activities funds.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting

Measurement Focus – Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.

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

J. Deposits, Investments and Risk Disclosure

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.
- d. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

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

Risk Category

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

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Prepaid Expenses

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

L. Interfund Assets/Liabilities

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

M. Fixed Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Description</u>	<u>Estimated lives</u>
Land Improvements	15 years
Building and Buildings Improvements	15 years
Furniture and Equipment	5 years

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

N. Compensated Absences

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

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

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

As of June 30, 2018, the liability for vested compensated absences of the Charter School is recorded in the Charter School-wide financial statements amounted to \$397,662.

O. Net Pension Liability (Asset)

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

P. Deferred Revenue

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Accrued Liabilities and Long-Term Obligations

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

R. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

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

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

R. Fund Balance and Equity

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

Unassigned fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

S. Net Position

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

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

S. Net Position - Continued

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

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

T. Contributed Capital

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

U. Interfund Transactions

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

V. Use of Estimates

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

W. Accounting for Uncertainty of Income Taxes

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2015.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

X. On-Behalf Payments

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

Y. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 25, 2019.

NOTE 2 CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2018, the Charter School implemented GASB Statement No. 75, "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions (OPEB)". This statement addresses accounting and financial reporting for the OPEB that is provided to the employees of the state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows/inflows of resources and expenses/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to the periods of employee service.

The adoption of the standards resulted in an increase in revenue and expenses for the year ended June 30, 2018 of \$2,262,797 and a \$0 effect for the change in accounting principle in the Charter-School wide financial statements.

Note disclosures required by GASB 75 is reflected in Note 8 post-retirement benefits and the required supplementary information in Schedule M.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk.

As of June 30, 2018, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating account	\$ 782,698	\$ 32,902	\$ 519,555	\$ 1,335,155
Restricted	166,402	-	-	166,402
Total	<u>\$ 949,100</u>	<u>\$ 32,902</u>	<u>\$ 519,555</u>	<u>\$ 1,501,557</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2018, the Charter School's carrying amount of deposits was \$1,501,557 and the bank balance was \$2,525,962. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2018 were secured by federal deposit insurance and \$1,879,030 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, of which \$166,402 is funded at June 30, 2018. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur."

NOTE 4 CAPITAL ASSETS

As required under accounting standards discussed in Note 2, the Charter School performed a thorough review of the inventory records of all its fixed assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost have been used. The review of inventory records of all the Charter School's capital assets was completed during the fiscal year ended June 30, 2018, deletions, if any, have been accounted for in the Charter School's beginning balances; the table below illustrates the net of additions and deletions for the current year.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 4 CAPITAL ASSETS - CONTINUED

Capital assets activities for the year ended June 30, 2018 are as follows:

Governmental Activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets being depreciated:			
Equipment	\$ 783,179	\$ -	\$ 783,179
Buses/Vehicles	265,271	-	265,271
Leasehold improvements	665,084	28,500	693,584
Total	1,713,534	28,500	1,742,034
Less accumulated depreciation	(1,213,984)	(131,441)	(1,345,425)
Capital assets, net	499,550	(102,941)	396,609
<u>Business-Type Activities</u>	-	-	-
Capital assets, net	\$ 499,550	\$ (102,941)	\$ 396,609

NOTE 5 NONCURRENT LIABILITIES

During the fiscal year ended June 30, 2018, long-term liabilities reported in the *Statement of Net Position* are as follows:

Noncurrent Liabilities	Balance at June 30, 2017	Additions	Retired	Balance at June 30, 2018	Due within One Year
Compensated absences	\$ 402,217	\$ -	\$ 4,555	\$ 397,662	\$ -
Capital lease obligations	197,582	-	36,553	161,029	36,553
Net pension liability	10,325,824	1,087,929	436,840	10,976,913	669,673
	\$ 10,925,623	\$ 1,087,929	\$ 477,948	\$ 11,535,604	\$ 706,226

Net pension liability classified as due within one year amounting to \$669,673 represents pension contributions for fiscal year 2018 due and payable on April 1, 2019.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NET POSITION

As of June 30, 2018, governmental activities net position consisted of the following components:

Business-type activities net position did not have any capital assets or restrictions.

**INVESTMENT IN CAPITAL ASSETS,
NET OF RELATED DEBT**

Capital assets, net	\$ 396,609
Less: long-term obligations	<u>(161,029)</u>
	235,580

RESTRICTED

Restricted for Food Service	659,025
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UNRESTRICTED

Net assets not restricted above	<u>(5,509,275)</u>
NET ASSETS	<u>\$ (4,614,670)</u>

NOTE 7 PENSION PLANS

A. Description of Plans

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS

A. Description of Plans

i. Public Employees' Retirement System (PERS)

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

ii. Teachers Pension and Annuity Fund (TPAF)

The TPAF was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The TPAF is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

B. Vesting and Benefit Provisions

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

B. Vesting and Benefit Provisions – Continued

The PERS and TPAF provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

C. Significant Legislation

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55.

The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

The Charter School's contribution to PERS for the year ended June 30, 2018 was \$436,840. In addition, for fiscal year 2018, the Charter School contributed \$21,946 for PERS Long-term Disability Insurance Premiums (LTDI).

The State of New Jersey was required to contribute for TPAF on behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$1,436,524. In addition, for fiscal year 2018, the State of New Jersey contributed \$4,231 for TPAF LTDI.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$642,397 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.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contribution and social contribution for TPAF members are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB Disclosures

i. Public Employees' Retirement System

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2018, the Charter School reported in the charter school-wide statement of net position a net pension liability of \$10,976,913 for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2017 as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The Charter School's proportionate share of the net pension liability was based on the ration of contributions as an individual employer to the total contributions to the PERS for the years ended June 30, 2017 and 2016. At June 30, 2018, the Charter School's proportionate share was 0.047154923% which is an increase from the proportionate share of 0.0348643606% at June 30, 2017.

For the year ended June 30, 2018, the Charter School recognized pension expense of \$1,350,259. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 258,468	\$ -
Changes in assumptions	2,211,470	2,203,362
Net difference between projected and actual earnings on pension plan investments	74,745	-
Change in proportion and differences between Charter School contribution and proportionate share contributions	4,492,558	827,400
	<u>\$ 7,037,241</u>	<u>\$ 3,030,762</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

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 Ended June 30,
2019	\$ 1,055,625
2020	1,055,626
2021	1,096,069
2022	822,662
2023	(23,503)
Thereafter	

Actuarial assumptions. The total pension liability for the June 30, 2018 was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017 measurement date. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	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 RP-2000 Employee Preretirement Mortality Table for male and female active participants. For Local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disables retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females)

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB Disclosures - Continued

i. Public Employees' Retirement System (PERS) - continued

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2015. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-term Expected Rate of Return In accordance with the 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 Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 measurement date, are summarized in the following table:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB Disclosures - Continued

i. Public Employees' Retirement System - continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	<u>8.25%</u>	13.08%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 5.00% at June 30, 2017 measurement date. The 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 contribution from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB Disclosures – Continued

i. Public Employees’ Retirement System (PERS) - continued

Sensitivity of the Charter School’s Proportionate Share of the Net Pension Liability to changes in the discount rate. The following presents the Charter School’s proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Charter School's proportionate share of the net pension liability	\$ 13,156,277	\$ 10,976,913	\$ 8,429,877

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

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

At June 30, 2018, the State’s proportionate share of the net pension liability attributable to the Charter School amounted to \$33,913,683. 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.

For the year ended June 30, 2018, the Charter School recognized pension expense and related revenue of \$2,349,368 in the school-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) - continued

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and non-employer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the years ended June 30, 2017 and 2016. At June 30, 2018 and 2017, the State's proportion of the net pension liability attributable to Charter School was 0.0502994193% and 0.045995838%.

Actuarial Assumptions. The total pension liability for the June 30, 2017 measurement date as 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	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 disables mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average 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.

Long-term Expected Rate of Return. In accordance with the 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 Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) - continued

These ranges are combined to produce the long-term expected rate of return by weighing 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%
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	<u>8.25%</u>	13.08%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 4.25% at June 30, 2017 measurement date. The 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 contribution from employers will be based on the

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSIONS PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

ii. Teachers Pension and Annuity Fund (TPAF) - continued

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.

Sensitivity of Net Pension Liability. The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	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 attributable to the Charter School	<u>\$ 40,437,882</u>	<u>\$ 33,913,683</u>	<u>\$ 28,765,243</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

NOTE 8 POST-RETIREMENT BENEFITS

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. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the 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.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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 (APB) 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 trust that meets the criteria in paragraph 4 of GASBS No. 75.

State Employees covered by benefit terms. At June 30, 2016 measurement date rolled over to June 30, 2017, the following employees were covered by the benefit terms:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries	<u>142,331</u>
	366,078

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 209,913 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 Charter School's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

The following OPEB liability note information is reported at the State's level and is not specific to the Charter School.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases:			
Through 2026	1.55% - 4.55%	2.15% - 4.15%	2.10% - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00% - 5.45%	3.15% - 5.15%	3.10% - 9.98%
	based on years of service	based on age	based on age

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

(a) Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. for health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to 5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

(b) Discount rate

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

Changes in the Total OPEB liability of the State for Charter School retirees:

Balance at 6/30/16 measurement date	\$ 12,072,651
Changes for the year	
Service cost	1,962,900
Interest	396,209
Changes in assumptions and other inputs	(2,113,271)
Benefit payments	(279,096)
Contributions from the members	<u>10,277</u>
Net Change	(22,981)
Balance at 6/30/17 measurement date	<u>\$ 12,049,670</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Total Nonemployer OPEB Liability (Charter School Retirees)	<u>\$ 13,897,723</u>	<u>\$ 12,049,670</u>	<u>\$ 9,970,309</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State for the Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

	<u>1% Decrease</u>	<u>Current Health Cost Trend Rate</u>	<u>1% Increase</u>
Total Nonemployer OPEB Liability (Charter School Retirees)	\$ 14,468,750	\$ 12,049,670	\$ 9,628,340
OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB			

For the year ended June 30, 2018, the Charter School recognize OPEB revenue and expense of \$2,262,797 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75 and in which there is a special funding situation.

In accordance with GASB No. 75, the Charter School's proportionate share of school retirees OPEB 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, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (1,425,067)
Changes in proportion	725,935	-
	<u>\$ 725,935</u>	<u>\$ (1,425,067)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB of retired Charter School employees will be recognized in OPEB expense as follows:

	Year Ended <u>June 30</u>
2019	\$ (81,866)
2020	(81,866)
2021	(81,866)
2022	(81,866)
2023	(81,866)
Thereafter	(289,802)

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 9 DEFERRED COMPENSATION

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan is administered by AXA Equity, Inc. permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

NOTE 10 RISK MANAGEMENT

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

A. Property and Liability Insurance

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

B. New Jersey Unemployment Compensation

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 10 RISK MANAGEMENT - CONTINUED

B. New Jersey Unemployment Compensation - Continued

The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits employees and charged to its account with the State.

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017-2018	\$ 294,261	\$ 57,767	\$ 352,028	\$ -
2016-2017	306,312	53,260	359,572	-
2015-2016	63,193	60,621	123,814	-
2014-2015	81,002	64,621	145,623	-
2013-2014	264,760	22,297	287,057	-
2012-2013	13,659	2,988	16,647	-
2011-2012	4,000	3,086	7,086	-
2010-2011	180,009	8,605	188,614	-

NOTE 11 INTERFUND RECEIVABLES AND PAYABLES

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset. At June 30, 2018, the interfund balances consisted of the following components:

	RECEIVABLE (PAYABLE)			
	General Fund	Special Revenue Fund	Enterprise Fund	Fiduciary Fund
General fund	\$ 1,040,032	\$ (356,025)	\$ (462,072)	\$ (221,935)
GASB No 34 mandated eliminations within governmental activities	(356,025)	356,025	-	-
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	\$ 684,007	\$ -	\$ (462,072)	
External (Due from Trust and Agency Funds)				\$ (221,935)

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 12 CONTINGENCIES

State and Federal Aid Receipts

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

NOTE 13 LINE OF CREDIT

The Charter School has a line of credit of \$500,000 with City National Bank of New Jersey which are renewed annually. Interest rate is 5.25%. The line of credit was modified to extend the maturity date to December 31, 2018.

During the year ended June 30, 2018, the Charter School used \$450,000 of the line of credit. Interest expense incurred for the year ended June 30, 2018 was \$13,703. There was no outstanding line of credit at June 30, 2018.

NOTE 14 RELATED PARTY TRANSACTIONS

The Friends of Marion P. Thomas Charter School (The Friends) is an affiliate organization related to the Charter School. It is a not-for-profit organization incorporated on September 23, 2004 under the laws of the State of New Jersey, to become the Fundraising arm of the Charter School with the intent of making both restricted and unrestricted contributions to the Charter School from time to time. The Friends made no unrestricted contributions during 2018.

The Friends was also organized to own and manage (through its subsidiary, the REAL Friends) the facilities located at 370-380 South 7th Street, Newark, New Jersey, occupied by the Charter School under three operating leases that requires total monthly rental payment of \$207,954.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local Sources:					
Local tax levy	\$ 2,955,501	\$ -	\$ 2,955,501	\$ 2,955,501	\$ -
Contributions	500	(300)	200	-	(200)
Services provided to other Charter School	-	-	-	125,000	125,000
Miscellaneous	8,052	(6,106)	1,946	2,145	199
Total revenues -local sources	<u>2,964,053</u>	<u>(6,406)</u>	<u>2,957,647</u>	<u>3,082,646</u>	<u>124,999</u>
State sources	20,205,907	(1,896)	20,204,011	20,155,907	(48,104)
Federal sources	-	-	-	60,456	60,456
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	642,397	642,397
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	872,801	872,801
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	563,723	563,723
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	-	-	-	4,231	4,231
Total revenues	<u>23,169,960</u>	<u>(8,302)</u>	<u>23,161,658</u>	<u>25,382,161</u>	<u>2,220,503</u>
Expenditures					
Current expense:					
Instruction					
Salaries	10,570,511	341,065	10,911,576	10,800,559	111,017
Professional/Technical service	463,942	(306,090)	157,852	142,056	15,796
Other purchased services	979,885	(271,911)	707,974	611,557	96,417
General educational supplies	819,600	(397,356)	422,244	329,144	93,100
Instructional textbooks	144,955	19,667	164,622	148,519	16,103
Other instructional expenses	373,560	(131,667)	241,893	147,816	94,077
Total current expense	<u>13,352,453</u>	<u>(746,292)</u>	<u>12,606,161</u>	<u>12,179,651</u>	<u>426,510</u>
Administrative cost:					
Salaries	2,282,997	35,409	2,318,406	2,277,635	40,771
Total benefit costs	3,202,037	873,483	4,075,520	4,075,126	394
Professional/Technical service	630,650	(321,635)	309,015	276,530	32,485
Other purchased services	265,002	73,330	338,332	303,014	35,318
Communications and Telephones	204,875	(122,415)	82,460	62,327	20,133
Supplies and materials	192,609	(108,000)	84,609	69,153	15,456
Judgments against Charter School	25,000	-	25,000	-	25,000
Interest on current loans	20,000	(6,100)	13,900	13,703	197
Miscellaneous	84,500	(28,000)	56,500	55,225	1,275
Total administrative cost	<u>6,907,670</u>	<u>396,072</u>	<u>7,303,742</u>	<u>7,132,713</u>	<u>171,029</u>

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support services:					
Salaries	2,787,543	74,191	2,861,734	2,849,043	12,691
Purchased Professional/Technical service	66,500	(60,359)	6,141	1,666	4,475
Other purchased services	299,050	(58,180)	240,870	226,714	14,156
Rent on land and buildings	1,909,739	355,000	2,264,739	2,264,739	-
Insurance-fidelity, liability, property	165,000	(15,000)	150,000	144,842	5,158
Supplies and materials	271,630	(166,400)	105,230	83,904	21,326
Transportation-other than to/from school	127,232	-	127,232	117,656	9,576
Utilities	666,500	(300,000)	366,500	259,050	107,450
Miscellaneous	61,000	(20,543)	40,457	35,689	4,768
Total support services	<u>6,354,194</u>	<u>(191,291)</u>	<u>6,162,903</u>	<u>5,983,303</u>	<u>179,600</u>
Capital outlay:					
Purchase of land/improvements	62,000	-	62,000	45,000	17,000
Total capital outlay	<u>62,000</u>	<u>-</u>	<u>62,000</u>	<u>45,000</u>	<u>17,000</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	642,397	(642,397)
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	872,801	(872,801)
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	563,723	(563,723)
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	-	-	-	4,231	(4,231)
Total reimbursed and on-behalf payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,083,152</u>	<u>(2,083,152)</u>
Total expenditures	<u>26,676,317</u>	<u>(541,511)</u>	<u>26,134,806</u>	<u>27,423,819</u>	<u>(1,289,013)</u>
Excess of expenditures over revenues	(3,506,357)	533,209	(2,973,148)	(2,041,658)	931,490
Other financing sources/(uses):					
Operating transfers in/(out)	(165,000)	-	(165,000)	(165,000)	-
Net change in fund balances	(3,671,357)	533,209	(3,138,148)	(2,206,658)	931,490
Fund balances at beginning of year	<u>3,671,357</u>	<u>(533,209)</u>	<u>3,138,148</u>	<u>4,724,504</u>	<u>1,586,356</u>
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,517,846</u>	<u>\$ 2,517,846</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
Revenues					
Local sources	\$ 21,367	\$ -	\$ 21,367	\$ 14,338	\$ (7,029)
Federal sources	1,271,665	-	1,271,665	1,271,665	-
Total revenues	<u>1,293,032</u>	<u>-</u>	<u>1,293,032</u>	<u>1,286,003</u>	<u>(7,029)</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	698,000	-	698,000	698,000	-
Purchased Professional and technical services	250,000	-	250,000	250,000	-
Instructional supplies	84,291	-	84,291	84,291	-
Total instruction	<u>1,032,291</u>	<u>-</u>	<u>1,032,291</u>	<u>1,032,291</u>	<u>-</u>
Support services					
Salaries of supervisors of instruction	11,000	-	11,000	11,000	-
Employee benefits	71,712	-	71,712	71,712	-
Purchased professional educational services	159,684	-	159,684	152,655	7,029
Other purchased services	8,978	-	8,978	8,978	-
Miscellaneous	9,367	-	9,367	9,367	-
Total support services	<u>260,741</u>	<u>-</u>	<u>260,741</u>	<u>253,712</u>	<u>7,029</u>
Total Expenditures	<u>1,293,032</u>	<u>-</u>	<u>1,293,032</u>	<u>1,286,003</u>	<u>7,029</u>
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

PART II

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 25,382,161		[C-2] 1,286,003
Difference - budget to GAAP:			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-		-
Last State aid payment recognized for budgetary purposes only.	-		-
General Fund contribution to Early Childhood Program Aid.	-		-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>25,382,161</u>		[B-2] <u>1,286,003</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 27,423,819		[C-2] 1,286,003
Differences - budget to GAAP			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-		-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.			
Net transfer (outflows) to general fund	-		-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 27,423,819</u>		[B-2] <u>\$ 1,286,003</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

PART III

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - PERS**

LAST TEN FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0471549230%	0.0348643606%	0.0259848477%	0.0260107656%
Charter School's proportionate share of the net pension liability (asset)	\$ 10,976,913	\$ 10,325,824	\$ 5,833,078	\$ 4,869,927
Charter School's covered-employee payroll	\$ 7,729,503	\$ 7,821,775	\$ 1,992,972	\$ 1,992,972
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	142.01%	132.01%	292.68%	244.36%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.92%	52.08%

Note - The amounts presented for each fiscal year were determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

LAST TEN FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 436,840	\$ 309,730	\$ 223,400	\$ 215,281
Contributions in relation to the contractually required contribution	<u>(436,840)</u>	<u>(309,730)</u>	<u>(223,400)</u>	<u>(215,281)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 7,729,503	\$ 7,821,775	\$ 1,992,972	\$ 1,992,972
Contributions as a percentage of covered-employee payroll	5.65%	3.96%	11.21%	10.80%

Note - The amounts presented for each fiscal year were determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY - TPAF**

LAST TEN FISCAL YEARS (1)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0502994193%	0.0459958380%	0.0440804413%	0.0403614824%
State proportionate share of net pension liability attributable to the Charter School	\$ 33,913,683	\$ 36,183,255	\$ 27,860,721	\$ 21,571,899
Charter School's covered-employee payroll	\$ 5,972,374	\$ 7,194,429	\$ 4,212,142	\$ 5,397,350
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	567.84%	502.93%	661.44%	399.68%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	33.64%

Note - The amounts presented for each fiscal year were determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR OPEB (GASB 75)**

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

LAST TEN FISCAL YEARS (1)

	<u>2018</u>
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	
Service cost	\$ 1,962,900
Interest	396,209
Changes in assumptions and other inputs	(2,113,271)
Benefit payments	(279,096)
Contributions from the member	<u>10,277</u>
Net Change in Total State OPEB Liability Attributable to the Charter School	(22,981)
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	
At beginning of year	<u>\$ 12,072,651</u>
At end of year	<u><u>\$ 12,049,670</u></u>
Charter School's proportionate share of the Total OPEB Liability	0%
Charter School Covered-employee payroll ⁽²⁾	\$ 13,701,877
Total State OPEB liability as a percentage of Charter School covered-employee payroll	87.94%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. No data is available prior to fiscal year 2018.

(2) Covered payroll was based on the Charter School's payroll for the year ended June 30, 2018.

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

PART III

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART III
YEAR ENDED JUNE 30, 2018**

Public Employees Retirement System (PERS)

Change in benefit terms. There was no change in the benefit terms.

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. The discount rate used to measure the total pension liability changed from 3.98% to 5.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

The single blended discount rate of 5.00% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.65% in prior measurement date) and a municipal bond rate of 3.58% (2.85% in prior measurement date) 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.

Teachers' Pension and Annuity Fund (TPAF)

Change in benefit terms. There was no change in the benefit terms.

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. The discount rate used to measure the total pension liability changed from 3.22% to 4.25% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 4.25% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.65% in prior measurement date) and a municipal bond rate of 3.58% (2.85% in prior measurement date) 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.

Other Post-employment Benefits (OPEB)

Change in benefit terms. There was no change in the benefit terms.

Change in assumptions. The calculation of the discount rate used to measure the total nonemployer OPEB liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 2.85% to 3.58% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75. 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.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2018

	Title I	Title II Part 2A	IDEA	Title III	Other Local Grants	Total
Revenues						
Local	\$ -	\$ -	\$ -	\$ -	\$ 14,338	\$ 14,338
Federal	897,808	93,931	267,769	12,157	-	1,271,665
Total revenues	897,808	93,931	267,769	12,157	14,338	1,286,003
Expenditures						
Current Expenditures:						
Instruction:						
Salaries of teachers	698,000	-	-	-	-	698,000
Purchased professional and technical services	-	-	250,000	-	-	250,000
Supplies and materials	66,522	-	17,769	-	-	84,291
Total instruction	764,522	-	267,769	-	-	1,032,291
Support Services:						
Support salaries	-	-	-	11,000	-	11,000
Employee benefits	71,712	-	-	-	-	71,712
Purchased professional educational services	52,596	93,931	-	1,157	4,971	152,655
Other purchase services	8,978	-	-	-	-	8,978
Miscellaneous expenditures	-	-	-	-	9,367	9,367
Total support services	133,286	93,931	-	12,157	14,338	253,712
Total expenditures	\$ 897,808	\$ 93,931	\$ 267,769	\$ 12,157	\$ 14,338	\$ 1,286,003

CAPITAL PROJECTS FUND

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

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

ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2018

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 32,901	\$ -	\$ 32,901
Accounts receivable:			
Federal	-	136,772	136,772
State	<u>-</u>	<u>984</u>	<u>984</u>
Total current assets	<u>32,901</u>	<u>137,756</u>	<u>170,657</u>
 Interfund receivable - Food Service	<u>258,006</u>	<u>(258,006)</u>	<u>-</u>
 Total assets	<u>\$ 290,907</u>	<u>\$ (120,250)</u>	<u>\$ 170,657</u>
Liabilities and Net Position			
Current liabilities:			
Accounts payable	\$ -	\$ 76,703	\$ 76,703
Interfund payable - General Fund	<u>-</u>	<u>462,072</u>	<u>462,072</u>
Total current liabilities	<u>-</u>	<u>538,775</u>	<u>538,775</u>
 Net position			
Unrestricted	<u>290,907</u>	<u>(659,025)</u>	<u>(368,118)</u>
 Total liabilities and net position	<u>\$ 290,907</u>	<u>\$ (120,250)</u>	<u>\$ 170,657</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2018

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ -	\$ 24,364	\$ 24,364
Miscellaneous	<u>82,642</u>	<u>-</u>	<u>82,642</u>
Total operating revenues	<u>82,642</u>	<u>24,364</u>	<u>107,006</u>
Operating expenses:			
Cost of sales - reimbursable programs	-	818,643	818,643
Salaries	61,907	194,820	256,727
Supplies and materials	<u>-</u>	<u>21,310</u>	<u>21,310</u>
Total operating expenses	<u>61,907</u>	<u>1,034,773</u>	<u>1,096,680</u>
Operating income (loss)	<u>20,735</u>	<u>(1,010,409)</u>	<u>(989,674)</u>
Nonoperating revenues:			
State sources:			
State School Lunch	-	7,817	7,817
Federal sources:			
National School Lunch	-	473,636	473,636
National School Breakfast	-	180,672	180,672
Fresh Fruit and Vegetable	-	24,518	24,518
Food Commodities	<u>-</u>	<u>40,253</u>	<u>40,253</u>
Total nonoperating revenues	<u>-</u>	<u>726,896</u>	<u>726,896</u>
Net income (loss)	20,735	(283,513)	(262,778)
Other financing sources:			
Transfers in - General Fund	<u>-</u>	<u>165,000</u>	<u>165,000</u>
Changes in net position	20,735	(118,513)	(97,778)
Total net position at beginning of year	<u>270,172</u>	<u>(540,512)</u>	<u>(270,340)</u>
Total net position at end of year	<u>\$ 290,907</u>	<u>\$ (659,025)</u>	<u>\$ (368,118)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
Cash flows from operating activities			
Operating income (loss)	\$ 20,735	\$ (1,010,409)	\$ (989,674)
Changes in assets and liabilities:			
Accounts receivable	-	(23,319)	(23,319)
Accounts payable	-	(4,913)	(4,913)
Interfund payable	(19,219)	146,745	127,526
Net cash from operating activities	<u>1,516</u>	<u>(891,896)</u>	<u>(890,380)</u>
Cash flows from noncapital financing activities			
Transfer-in from General Fund	-	165,000	165,000
Cash received from state and federal reimbursements	<u>-</u>	<u>726,896</u>	<u>726,896</u>
Net cash from noncapital financing activities	-	891,896	891,896
Cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	1,516	-	1,516
Cash and cash equivalents at beginning of year	<u>31,385</u>	<u>-</u>	<u>31,385</u>
Cash and cash equivalents at end of year	<u>\$ 32,901</u>	<u>\$ -</u>	<u>\$ 32,901</u>

FIDUCIARY FUNDS

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2018 there was no non-expandable trust fund utilized by the Charter School.

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

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

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	New Jersey Unemployment Benefits	Agency			Total
		Student Activity Fund	Payroll Agency Fund	Net Payroll Fund	
Assets					
Cash and cash equivalents	\$ -	\$ 13,979	\$ 64,071	\$ 441,505	\$ 519,555
Interfund receivable	-	-	70,005	62,101	132,106
Total assets	<u>\$ -</u>	<u>\$ 13,979</u>	<u>\$ 134,076</u>	<u>\$ 503,606</u>	<u>\$ 651,661</u>
Liabilities and Net Position					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ 134,076	\$ -	\$ 134,076
Accounts payable	-	13,979	-	-	13,979
Summer payroll payable	-	-	-	149,565	149,565
Interfund payable	-	-	-	354,041	354,041
Total liabilities	<u>-</u>	<u>13,979</u>	<u>134,076</u>	<u>503,606</u>	<u>651,661</u>
Net position:					
Restricted					
Unemployment compensation	-	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ 13,979</u>	<u>\$ 134,076</u>	<u>\$ 503,606</u>	<u>\$ 651,661</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
(TRUST FUND)

YEAR ENDED JUNE 30, 2018

	<u>New Jersey Unemployment Benefits</u>
Revenues:	
General fund appropriation	\$ 294,261
Employees' contributions	<u>57,767</u>
Total revenues	<u>352,028</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>352,028</u>
Total expenditures	<u>352,028</u>
Excess (deficiency) of revenue over expenditures	-
Net position at beginning of year	<u>-</u>
Net position at end of year	<u>\$ -</u>

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2018

	<u>Balance at June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance at June 30, 2018</u>
Assets				
Cash and cash equivalents	\$ 14,809	\$ 65,378	\$ 66,208	\$ 13,979
Liabilities				
Accounts Payable	\$ 14,809	\$ 65,378	\$ 66,208	\$ 13,979

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2018

	<u>Balance at June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance at June 30, 2018</u>
Assets				
Cash and cash equivalents	\$ 341,865	\$ 5,887,176	\$ 6,164,970	\$ 64,071
Interfund receivables	<u>-</u>	<u>70,005</u>	<u>-</u>	<u>70,005</u>
Total Assets	<u>\$ 341,865</u>	<u>\$ 5,957,181</u>	<u>\$ 6,164,970</u>	<u>\$ 134,076</u>
Liabilities				
Payroll deductions and withholdings	<u>\$ 341,865</u>	<u>\$ 5,957,181</u>	<u>\$ 6,164,970</u>	<u>\$ 134,076</u>

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the Charter School. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

YEAR ENDED JUNE 30, 2018

	<u>Amount of Original Issue</u>	<u>Balance June 30, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
Vehicles/Buses	\$ 234,134	\$ -	\$ 234,134	\$ 36,552	\$ 197,582
Total Liabilities	<u>\$ 234,134</u>	<u>\$ -</u>	<u>\$ 234,134</u>	<u>\$ 36,552</u>	<u>\$ 197,582</u>

STATISTICAL SECTION

Unless otherwise noted, the information in these Schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INTRODUCTION TO THE STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
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.	85
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.	91
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.	92
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.	94

Sources:

Schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting charter-wide information include information beginning in that year.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**NET ASSETS BY COMPONENT
Last Ten Fiscal Years**

(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Invested in capital assets, net of related debt	\$ 235,580	\$ 301,970	\$ 314,890	\$ 356,825	\$ 141,352	\$ 38,653	\$ 56,983	\$ 98,113	\$ 108,227	\$ 103,873
Restricted	659,025	540,512	439,046	423,703	164,565	150,046	-	-	-	-
Unrestricted	<u>(5,509,275)</u>	<u>(1,886,990)</u>	<u>1,278,350</u>	<u>1,775,247</u>	<u>1,620,345</u>	<u>510,809</u>	<u>170,340</u>	<u>425,238</u>	<u>675,839</u>	<u>255,475</u>
Total governmental activities net assets	<u>\$ (4,614,670)</u>	<u>\$ (1,044,508)</u>	<u>\$ 2,032,286</u>	<u>\$ 2,555,775</u>	<u>\$ 1,926,262</u>	<u>\$ 699,508</u>	<u>\$ 227,323</u>	<u>\$ 523,351</u>	<u>\$ 784,066</u>	<u>\$ 359,348</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>(368,118)</u>	<u>(270,340)</u>	<u>(216,164)</u>	<u>(265,869)</u>	<u>(57,228)</u>	<u>(82,962)</u>	<u>(84,747)</u>	<u>(31,500)</u>	<u>43,410</u>	<u>34,420</u>
Total business-type activities net assets	<u>\$ (368,118)</u>	<u>\$ (270,340)</u>	<u>\$ (216,164)</u>	<u>\$ (265,869)</u>	<u>\$ (57,228)</u>	<u>\$ (82,962)</u>	<u>\$ (84,747)</u>	<u>\$ (31,500)</u>	<u>\$ 43,410</u>	<u>\$ 34,420</u>
Charter School-wide										
Invested in capital assets, net of related debt	\$ 235,580	\$ 301,970	\$ 314,890	\$ 356,825	\$ 141,352	\$ 38,653	\$ 56,983	\$ 98,113	\$ 108,227	\$ 103,873
Restricted	659,025	540,512	439,046	423,703	164,565	150,046	-	-	-	-
Unrestricted	<u>(5,877,393)</u>	<u>(2,157,330)</u>	<u>1,062,186</u>	<u>1,509,378</u>	<u>1,563,117</u>	<u>427,847</u>	<u>85,593</u>	<u>393,738</u>	<u>719,249</u>	<u>289,895</u>
Total Charter School net assets	<u>\$ (4,982,788)</u>	<u>\$ (1,314,848)</u>	<u>\$ 1,816,122</u>	<u>\$ 2,289,906</u>	<u>\$ 1,869,034</u>	<u>\$ 616,546</u>	<u>\$ 142,576</u>	<u>\$ 491,851</u>	<u>\$ 827,476</u>	<u>\$ 393,768</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN NET ASSETS/NET POSITION
Last Ten Fiscal Years
(Accrual basis of accounting)**

	Fiscal Year Endend June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
Instruction										
Regular	\$ 20,999,050	\$ 17,951,352	\$ 14,240,570	\$ 11,211,304	\$ 6,126,956	\$ 6,041,944	\$ 5,761,466	\$ 4,757,864	\$ 3,881,968	\$ 3,491,636
Support Services:										
Capital outlay	16,500	3,000	1,098	-	15,790	-	-	-	-	-
Student and instruction related services	5,648,247	5,624,183	4,917,035	4,054,435	1,959,678	1,465,436	1,703,745	1,476,935	957,536	872,987
General administration	4,752,713	4,186,190	3,789,171	2,972,753	2,092,355	1,700,384	1,644,468	1,535,254	1,975,545	1,490,751
Plant Operations and Maintenance	2,264,739	2,559,739	2,552,593	2,512,100	1,380,595	1,390,119	1,340,119	1,366,294	1,186,301	324,104
Unallocated depreciation	131,441	94,013	99,457	95,819	12,201	63,087	92,040	21,130	17,458	17,458
Total governmental activities expenses	<u>33,812,690</u>	<u>30,418,477</u>	<u>25,599,924</u>	<u>20,846,411</u>	<u>11,587,575</u>	<u>10,660,970</u>	<u>10,541,838</u>	<u>9,157,477</u>	<u>8,018,808</u>	<u>6,196,936</u>
Business-type activities:										
Food service	1,034,773	864,079	852,419	854,144	537,825	529,043	454,124	346,568	196,092	181,515
Child Care	61,907	66,546	68,758	44,009	19,300	11,955	18,181	20,412	33,518	14,587
Total business-type activities expense	<u>1,096,680</u>	<u>930,625</u>	<u>921,177</u>	<u>898,153</u>	<u>557,125</u>	<u>540,998</u>	<u>472,305</u>	<u>366,980</u>	<u>229,610</u>	<u>196,102</u>
Total district expenses	<u>\$ 34,909,370</u>	<u>\$ 31,349,102</u>	<u>\$ 26,521,101</u>	<u>\$ 21,744,564</u>	<u>\$ 12,144,700</u>	<u>\$ 11,201,968</u>	<u>\$ 11,014,143</u>	<u>\$ 9,524,457</u>	<u>\$ 8,248,418</u>	<u>\$ 6,393,038</u>
Program Revenues										
Governmental activities:										
Operating grants and contributions	\$ 7,108,519	\$ 4,778,739	\$ 4,349,758	\$ 3,047,857	\$ 2,366,354	\$ 2,351,882	\$ 1,538,536	\$ 1,021,779	\$ 1,080,476	\$ 454,137
Total governmental activities program revenues	<u>7,108,519</u>	<u>4,778,739</u>	<u>4,349,758</u>	<u>3,047,857</u>	<u>2,366,354</u>	<u>2,351,882</u>	<u>1,538,536</u>	<u>1,021,779</u>	<u>1,080,476</u>	<u>454,137</u>
Business-type activities:										
Charges for services										
Food service	24,364	25,266	16,767	6,283	5,672	9,468	17,854	13,095	9,306	44,723
Child care	82,642	113,836	133,806	94,506	59,553	43,032	27,426	25,018	31,275	39,713
Operating grants and contributions	726,896	617,347	680,309	578,151	517,634	490,283	373,778	253,957	198,019	144,126
Transfers	165,000	120,000	140,000	-	-	-	-	-	-	-
Total business type activities program revenues	<u>998,902</u>	<u>876,449</u>	<u>970,882</u>	<u>678,940</u>	<u>582,859</u>	<u>542,783</u>	<u>419,058</u>	<u>292,070</u>	<u>238,600</u>	<u>228,562</u>
Total charter school program revenues	<u>8,107,421</u>	<u>5,655,188</u>	<u>5,320,640</u>	<u>3,726,797</u>	<u>2,949,213</u>	<u>2,894,665</u>	<u>1,957,594</u>	<u>1,313,849</u>	<u>1,319,076</u>	<u>682,699</u>
Net (Expense)/Revenue										
Governmental activities	(26,704,171)	(25,639,738)	(21,250,166)	(17,798,554)	(9,221,221)	(8,309,088)	(9,003,302)	(8,135,698)	(6,938,332)	(5,742,799)
Business-type activities	(97,778)	(54,176)	49,705	(219,213)	25,734	1,785	(53,247)	(74,910)	8,990	32,460
Total charter school-wide net expense	<u>\$ (26,801,949)</u>	<u>\$ (25,693,914)</u>	<u>\$ (21,200,461)</u>	<u>\$ (18,017,767)</u>	<u>\$ (9,195,487)</u>	<u>\$ (8,307,303)</u>	<u>\$ (9,056,549)</u>	<u>\$ (8,210,608)</u>	<u>\$ (6,929,342)</u>	<u>\$ (5,710,339)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

CHANGES IN NET ASSETS/NET POSITION

Last Ten Fiscal Years

(Accrual basis of accounting)

	Fiscal Year Endend June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 23,236,408	\$ 22,662,022	\$ 20,860,196	\$ 19,757,042	\$ 10,442,830	\$ 8,793,320	\$ 7,932,991	\$ 7,280,051	\$ 6,376,798	\$ 3,591,784
Semi-reimbursements	60,456	16,763	-	-	-	-	-	-	-	-
Miscellaneous	2,145	4,159	6,481	7,351	5,145	3,166	981	82,999	21,213	27,893
Transfers	(165,000)	(120,000)	(140,000)	-	-	-	-	-	-	-
Total governmental activities	<u>23,134,009</u>	<u>22,562,944</u>	<u>20,726,677</u>	<u>19,764,393</u>	<u>10,447,975</u>	<u>8,796,486</u>	<u>7,933,972</u>	<u>7,363,050</u>	<u>6,398,011</u>	<u>3,619,677</u>
Total Charter School-wide	<u>\$ 23,134,009</u>	<u>\$ 22,562,944</u>	<u>\$ 20,726,677</u>	<u>\$ 19,764,393</u>	<u>\$ 10,447,975</u>	<u>\$ 8,796,486</u>	<u>\$ 7,933,972</u>	<u>\$ 7,363,050</u>	<u>\$ 6,398,011</u>	<u>\$ 3,619,677</u>
Changes in Net Assets/Net Position										
Governmental activities	\$ (3,570,162)	\$ (3,076,794)	\$ (523,489)	\$ 1,965,839	\$ 1,226,754	\$ (206,816)	\$ (201,726)	\$ 424,718	\$ 655,312	\$ (2,123,122)
Business-type activities	(97,778)	(54,176)	49,705	(219,213)	25,734	(53,247)	(74,910)	8,990	32,460	32,460
Total Charter School	<u>\$ (3,667,940)</u>	<u>\$ (3,130,970)</u>	<u>\$ (473,784)</u>	<u>\$ 1,746,626</u>	<u>\$ 1,252,488</u>	<u>\$ (260,063)</u>	<u>\$ (276,636)</u>	<u>\$ 433,708</u>	<u>\$ 687,772</u>	<u>\$ (2,090,662)</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Assigned	\$ 97,207	\$ 94,623	\$ 344,921	\$ 894,209	\$ 652,818	\$ 239,034	\$ 56,983	\$ -	\$ 108,227	\$ 103,873
Unassigned	<u>2,420,639</u>	<u>4,629,882</u>	<u>6,526,412</u>	<u>5,830,730</u>	<u>1,267,798</u>	<u>565,648</u>	<u>342,529</u>	<u>654,180</u>	<u>771,437</u>	<u>302,214</u>
Total general fund	<u>\$ 2,517,846</u>	<u>\$ 4,724,505</u>	<u>\$ 6,871,333</u>	<u>\$ 6,724,939</u>	<u>\$ 1,920,616</u>	<u>\$ 804,682</u>	<u>\$ 399,512</u>	<u>\$ 654,180</u>	<u>\$ 879,664</u>	<u>\$ 406,087</u>

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)**

Function	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Local Sources:										
Local tax levy	\$ 2,955,501	\$ 2,849,977	\$ 2,782,468	\$ 2,618,739	\$ 1,372,596	\$ 1,126,597	\$ 1,099,724	\$ 1,003,418	\$ 910,681	\$ 830,218
Miscellaneous	16,483	84,762	71,073	45,020	220,445	27,250	53,166	45,981	82,999	21,313
State sources	20,802,535	20,342,612	19,871,926	19,005,460	10,580,616	9,046,327	8,268,574	7,047,413	6,620,898	5,546,580
Federal sources	1,332,121	994,249	1,047,911	820,576	640,672	812,227	690,511	695,037	828,948	454,137
Total Revenues	<u>25,106,640</u>	<u>24,271,600</u>	<u>23,773,378</u>	<u>22,489,795</u>	<u>12,814,329</u>	<u>11,012,401</u>	<u>10,111,975</u>	<u>8,791,849</u>	<u>8,443,526</u>	<u>6,852,248</u>
Current expense:										
Instruction										
Salaries	11,498,559	9,861,153	7,864,342	6,712,449	3,713,807	3,863,916	3,306,744	2,986,861	2,501,308	2,206,612
Professional/Technical service	392,056	501,888	407,258	436,153	142,524	112,391	323,957	105,876	35,684	104,968
Other purchased services	611,557	501,762	469,640	355,501	94,178	138,478	123,070	28,272	18,544	62,145
General educational supplies	413,435	760,737	753,512	430,739	337,472	327,307	348,915	335,950	249,877	192,239
Instructional text and books	148,519	397,334	789,684	298,125	272,355	168,021	192,550	163,502	57,414	65,230
Other instructional expenses	147,816	203,493	157,877	108,720	18,545	14,952	11,083	11,813	21,201	20,631
Administrative cost:										
Salaries	2,277,635	2,118,961	2,060,262	1,427,565	977,750	818,671	1,020,462	856,940	1,064,663	871,985
Total benefit costs	4,793,466	4,572,379	3,923,020	3,870,619	2,507,726	2,197,199	1,968,677	1,474,239	1,532,695	1,263,342
Professional/Technical service	429,185	418,150	274,933	326,780	319,228	273,666	94,408	131,152	196,798	52,754
Other purchased services	303,014	225,948	185,114	127,326	103,545	65,456	73,946	58,339	46,479	34,047
Communications and telephones	62,327	46,046	56,449	69,887	64,655	30,649	38,704	51,917	70,064	52,343
Supplies and materials	69,153	81,966	119,871	146,850	115,583	33,464	44,965	88,122	86,929	69,654
Judgments against Charter School	-	-	-	1,500	-	-	57	-	950	-
Interest on current loans	13,703	-	5,848	-	8,074	12,749	12,101	7,930	8,745	13,987
Miscellaneous expenses	55,225	64,936	91,646	51,878	5,617	13,883	19,776	17,919	76,152	64,114
Support services:										
Salaries	2,860,043	2,970,135	2,486,111	2,147,624	1,133,434	777,037	971,890	700,472	398,150	363,655
Purchased Professional/Technical service	1,666	6,009	24,687	20,182	35,349	65,449	101,314	120,354	47,151	34,932
Other purchased services	235,692	218,052	247,950	237,510	101,352	24,676	36,776	92,421	192,046	217,880
Rent on land and buildings	2,264,739	2,559,739	2,552,593	2,512,100	1,380,595	1,390,119	1,340,119	1,366,294	1,186,301	324,104
Insurance-fidelity, liability property	144,842	92,404	133,536	61,390	20,706	17,376	-	29,998	32,649	37,485
Transportation- other than to/from school	117,656	153,024	129,859	100,851	26,803	35,030	9,654	-	9,654	-
Supplies and materials	83,904	125,997	159,122	217,008	1,841	34,251	52,069	46,741	46,441	20,517
Utilities	259,050	396,724	357,236	379,946	179,450	137,894	139,731	166,232	70,204	59,765

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)**

Function	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Miscellaneous	45,056	18,591	177,814	53,771	59,806	34,954	45,666	34,595	2,392	350
Capital outlay	45,000	3,000	58,620	28,268	78,000	8,513	54,553	11,016	21,812	7,320
Total Expenditures	<u>27,273,298</u>	<u>26,298,428</u>	<u>23,486,984</u>	<u>20,122,742</u>	<u>11,698,395</u>	<u>10,596,101</u>	<u>10,331,187</u>	<u>8,886,955</u>	<u>7,974,303</u>	<u>6,140,059</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,166,658)	(2,026,828)	286,394	2,367,053	1,115,934	416,300	(219,212)	(95,106)	469,223	712,189
Net change in fund balances	<u>\$ (2,166,658)</u>	<u>\$ (2,026,828)</u>	<u>\$ 286,394</u>	<u>\$ 2,367,053</u>	<u>\$ 1,115,934</u>	<u>\$ 416,300</u>	<u>\$ (219,212)</u>	<u>\$ (95,106)</u>	<u>\$ 469,223</u>	<u>\$ 712,189</u>
Debt service as a percentage of noncapital expenditures	0.05%	0.00%	0.02%	0.00%	0.07%	0.12%	0.12%	0.09%	0.11%	0.23%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total Charter School
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	
2018	\$ -	\$ -	\$ 161,029	\$ -	\$ -	\$ 161,029
2017	-	-	197,852	-	-	197,852
2016	-	-	-	-	-	-
2015	-	-	-	-	-	-
2014	-	-	-	-	-	-
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-
2009	-	-	-	-	-	-
2008	-	-	-	-	-	-

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2018	**	**	**	**
2017	285,154	**	**	7.50%
2016	281,764	\$ 17,155,764,668	\$ 60,887	7.90%
2015	281,944	16,925,098,320	60,030	8.80%
2014	280,579	16,363,086,701	58,319	10.20%
2013	279,468	15,564,131,856	55,692	7.90%
2012	278,289	15,418,323,756	55,404	8.80%
2011	277,854	15,285,859,956	55,014	8.90%
2010	277,522	14,521,061,128	52,324	9.50%
2009	278,154	14,265,962,352	51,288	9.50%
2008	277,376	14,738,651,136	53,136	5.40%

** Data not available

Source:

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

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

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

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2018		2009	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
St. Barnabas Health Care System	21,000	**	22,300	**
Verizon	15,000	**	18,148	**
Prudential Ins. Co. of America	8,743	**	17,487	**
Rutgers University - Newark Campus	4,265	**	-	**
Continental Airlines			11,200	**
Newark Board of Education	5,595	**	-	**
Automatic Data Processing	1,500	**	5,300	**
New Jersey Transit	11,500	**	-	
City of Newark	4,000	**	-	
Essex County		**	4,500	**
PSE&G	10,000	**	11,000	**
Ricoh Corporation	-		5,500	**
Horizon Blue Cross/Blue Shield	2,700	**	4,735	**
UMDNJ University Hospital	-		2,730	**
	<u>84,303</u>		<u>102,900</u>	

Note - Principal employers are that of Essex County

** Information not available

Source: Essex County Economic Development Corporation

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction										
Regular	93	93	93	71	47	47	48	58	48	49
Special education	12	12	12	14	5	5	2	2	2	1
Other instruction	28	28	28	34	18	18	-	-	-	-
Support Services										
Student & instruction related services	30	30	30	19	2	2	2	2	2	-
General administration	6	6	6	6	5	5	6	3	6	11
Other administrative services	19	19	19	9	5	5	2	3	2	-
Central services	10	10	10	19	6	6	2	4	2	-
Administrative Information Technology	3	3	3	2	-	-	-	1	-	-
Plant operations and maintenance	18	18	18	16	4	4	4	-	4	-
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	17	17	17	15	6	6	6	-	6	7
Food Service	8	8	8	6	1	1	4	4	4	4
Child Care	-	-	-	-	-	-	-	-	-	-
Total	244	244	244	211	1,390	99	76	77	76	72

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Kindergarten	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
							Elementary	School	High School				
2009	468	6,132,739	13,104	17.1%	50	12.3	12.7	16	N/A	468.0	459	31.09%	98.00%
2010	510	7,952,491	15,596	19.0%	50	12.3	12.7	16	N/A	510.0	500	8.97%	98.00%
2011	573	9,054,062	15,801	1.3%	60	12.9	12.9	16	N/A	573.0	562	12.35%	98.00%
2012	659	10,546,267	16,011	1.3%	50	12.3	12.7	16	N/A	510.0	500	-10.99%	98.00%
2013	694	10,596,101	15,268	-4.6%	70	12.3	12.7	16	N/A	693.0	679	35.88%	98.00%
2014	748	11,698,395	15,640	2.4%	70	12.3	12.7	16	N/A	693.0	679	0.00%	98.00%
2015	1,272	20,122,742	15,820	1.2%	119	12.3	12.7	16	17	1290.0	1,264	86.15%	98.00%
2016	1,291	23,486,984	18,193	15.0%	133	12.3	12.7	16	17	1314.0	1,288	1.86%	98.00%
2017	1,331	27,335,612	20,538	12.9%	133	12.3	12.7	16	17	1314.0	1,288	0.00%	98.00%
2018	1,359	28,709,822	21,126	2.9%	133	12.3	12.7	16	17	1314.0	1,288	0.00%	98.00%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Square Feet	90,004	90,004	90,004	90,004	45,002	45,002	45,002	60,000	45,002	45,002
Capacity (students)	1,350	1,350	1,350	1,350	750	750	525	600	525	480
Enrollment	1,359	1,331	1,291	1,272	748	694	517	573	510	480

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2018
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Comprehensive General Liability		
Bodily Injury and Property Damage Per Occurrence	6,000,000	
Products and Completed Operations Annual Aggregate	6,000,000	
Sexual Abuse Per Occurrence	6,000,000	
Annual NJSIG Aggregate	17,000,000	
Person Injury and Advertising Injury Per Occurrence/Annual Aggregate	6,000,000	
Employee Benefits Liability Per Occurrence/Annual Aggregate	6,000,000	1,000
Premises Medical Payments Per Accident	10,000	
Limit per person	5,000	
Terrorism Per Occurrence/Annual Aggregate	1,000,000	
Equipment Breakdown		
Combined Single Limit per Accident for Property Damage and Business Income	100,000,000	2,500 12 hours for Indirect Coverage Service Interruption Waiting Period 24 hours
Crime		
Public Employee Dishonesty with Faithful Performance	25,000	500
Theft, Disappearance and Destruction - Loss of Money & Securities On or Off Premises	5,000	500
Theft, Disappearance and Destruction - Money Orders & Counterfeit Paper Currency	5,000	500
Forgery or Alteration	25,000	500
Computer Fraud	250,000	1,000
Public Officials Bond:		
Superintendent	500,000	1,000
Treasurer	500,000	1,000
Board Secretary	500,000	1,000
Automobile Liability		
Bodily Injury and Property Damage per accident	6,000,000	
Terrorism Per Occurrence/Annual Aggregate	1,000,000	

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

INSURANCE SCHEDULE

**June 30, 2018
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Leaders Errors & Omissions		
Coverage A	1,000,000	
Coverage B	100,000	
Coverage B - Annual Aggregate	300,000	
Workers Compensation	2,000,000	
Employment Practices Liability	1,000,000	
Student Accident Liability	1,000,000	
Builders Risk	18,403,493	

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2016 Audit	2017 Audit	2018 Audit	Source
Cash	\$ 6,308,062	\$ 3,085,394	\$ 982,001	Audit: Exhibit A-1
Current Assets	7,788,110	4,859,455	2,632,423	Audit: Exhibit A-1
Total Assets	8,103,000	5,359,007	3,029,032	Audit: Exhibit A-1
Current Liabilities	1,132,941	405,290	482,695	Audit: Exhibit A-1
Total Liabilities	7,585,089	11,330,913	12,018,299	Audit: Exhibit A-1
Net Assets	1,816,122	(1,314,848)	(4,982,788)	Audit: Exhibit A-1
Total Revenue	26,047,317	28,218,132	31,241,430	Audit: Exhibit A-2
Total Expenses	26,521,101	31,349,102	34,909,370	Audit: Exhibit A-2
Change in Net Assets	(473,784)	(3,130,970)	(3,667,940)	Audit: Exhibit A-2
Depreciation Expense	99,457	94,013	131,441	Financial Statements/Audit Workpapers
Interest Expense	-	-	13,703	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	1,314	1,331	1,359	DOE Enrollment Reports
March 30th Budgeted Enrollment	1,340	1,430	1,430	Charter School Budget

RATIOS ANALYSIS							
Near Term Indicators		2016	2017	2018	3 YR CUM	Source:	Target
1a.	Current Ratio	6.87	11.99	5.45	7.56	Current Assets/Current Liabilities	> 1.1
1b.	Unrestricted Days Cash	86.82	35.92	10.27	40.82	Cash/(Total Expenses/365)	30-60
1c.	Enrollment Variance	98%	93%	95%	95%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.	Default	No	No	No	No	Audit	not in default
Sustainability Indicators							
2a.	Total Margin	-2%	-11%	-12%	-9%	Change in Net Assets/Total Revenue	positive
2b.	Debt to Asset	0.94	2.11	3.97	1.88	Total Liabilities/Total Assets	<.9
2c.	Cash Flow	4,703,240	(3,222,668)	(2,103,393)	(5,326,061)	Net change in cash flow from prior years (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	3 yr cum positive
2d.	Debt Service Coverage Ratio	N/A	N/A	N/A	N/A		>1.10

SINGLE AUDIT SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, New Jersey

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Marion P. Thomas Charter Schools (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated February 25, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS - CONTINUED

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters, that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and which are described in the schedule of findings and questioned costs as item 2018-001.

We also noted certain matters that we have reported to the Board of Trustees of the Marion P. Thomas Charter Schools in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated February 25, 2019.

Charter School's Response to Findings

The Charter School's response to the finding identified in our audit as described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

February 25, 2019
Cream Ridge, Jersey

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08

The Honorable President and
Members of the Board of Trustees
Marion P. Thomas Charter Schools
Essex County, New Jersey

Report on Compliance for Each Major Federal and State Programs

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, Uniform Guidance and New Jersey OMB Circular Letter 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED

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

Opinions on Each Major Federal and State Programs

In our opinion, the Marion P. Thomas Charter Schools, in the County of Essex, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and NJ OMB Circular Letter 15-08, and which are described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal and state program is not modified with respect to these matters.

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance for each major federal and state programs and to test and report on internal control over compliance in accordance with Uniform Guidance and NJ OMB Letter 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 Charter School's internal control over compliance.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR LETTER 15-08 - CONTINUED


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

Charter School's Response to the Finding

The Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

February 25, 2019
Cream Ridge, New Jersey

MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT K-3
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018		
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education:														
Passed-through New Jersey State Department Education														
General Fund:														
Medical Assistance Program (SEMI)	93.778	1805NJ5MAP	N/A	\$ 60,456	7/1/2017	6/30/2018	\$ -	\$ -	\$ 60,456	\$ (60,456)	\$ -	\$ -	\$ -	\$ -
Special Revenue Fund:														
Title I Part A Grants to Local Educational Agencies	84.010	S010A170030	NCLB - 7210 - 18	\$ 897,808	7/1/2017	6/30/2018	-	-	732,670	(897,808)	-	(165,138)	-	-
Title I Part A Grants to Local Educational Agencies	84.010	S010A160030	NCLB - 7210 - 17	698,624	7/1/2016	6/30/2017	(101,914)	-	101,914	-	-	-	-	-
Title I Part A Grants to Local Educational Agencies	84.010	S010A150030	NCLB - 7210 - 16	762,467	7/1/2015	6/30/2016	(204,399)	-	204,399	-	-	-	-	-
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A170029	NCLB - 7210 - 18	93,931	7/1/2017	6/30/2018	-	-	-	(93,931)	-	(93,931)	-	-
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A160029	NCLB - 7210 - 17	21,245	7/1/2016	6/30/2017	(21,245)	-	21,245	-	-	-	-	-
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A150029	NCLB - 7210 - 16	23,796	7/1/2015	6/30/2016	(7,940)	-	7,940	-	-	-	-	-
Individuals with Disabilities - States Grant	84.027	H027A170100	IDEA - 7210 - 18	267,769	7/1/2017	6/30/2018	-	-	173,851	(267,769)	-	(93,918)	-	-
Individuals with Disabilities - States Grant	84.027	H027A160100	IDEA - 7210 - 17	257,617	7/1/2016	6/30/2017	(104,136)	-	104,136	-	-	-	-	-
English Language Acquisition (Title III)	84.365	S365A170030	NCLB - 7210 - 18	12,157	7/1/2017	6/30/2018	-	-	-	(12,157)	-	(12,157)	-	-
Total U.S. Department of Education							(439,634)	-	1,346,155	(1,271,665)	-	(365,144)	-	-
U.S. Department of Agriculture														
Passed-through New Jersey State Department of Agriculture														
Enterprise Fund:														
National School Lunch Program	10.555	181NJ304N1099	N/A	473,636	7/1/2017	6/30/2018	-	-	380,169	(473,636)	-	(93,467)	-	-
National School Lunch Program	10.555	171NJ304N1099	N/A	443,400	7/1/2016	6/30/2017	(86,056)	-	86,056	-	-	-	-	-
Fresh Fruits and Vegetables	10.582	181NJ304L1603	N/A	24,518	7/1/2017	6/30/2018	-	-	20,169	(24,518)	-	(4,349)	-	-
Food Donation Program	10.555	181NJ304N1099	N/A	40,253	7/1/2017	6/30/2018	-	-	40,253	(40,253)	-	-	-	-
National School Breakfast Program	10.553	181NJ304N1099	N/A	180,672	7/1/2017	6/30/2018	-	-	141,716	(180,672)	-	(38,956)	-	-
National School Breakfast Program	10.553	171NJ304N1099	N/A	136,541	7/1/2016	6/30/2017	(26,853)	-	26,853	-	-	-	-	-
Total U.S. Department of Agriculture							(112,909)	-	695,216	(719,079)	-	(136,772)	-	-
Total Expenditures of Federal Awards							\$ (552,543)	\$ -	\$ 2,101,827	\$ (2,051,200)	\$ -	\$ (501,916)	\$ -	\$ -

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2018		Due to Grantor	MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor					Deferred Revenue/ Interfund Payable	Due to Grantor		Budgetary Receivable	Cumulative Total Expenditure
New Jersey State Department of Education														
General Fund:														
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$16,661,012	\$ -	\$ -	\$ -	\$ 16,715,862	\$ (16,661,012)	\$ -	\$ (125,206)	\$ -	\$ 180,056	125,206	\$ 16,661,012
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	16,975,385	(29,085)	20,246	-	3,235	-	(14,523)	(20,218)	-	91	20,218	-
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	16,702,253	-	18,178	-	-	-	-	-	-	18,178	-	-
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	14,462,434	(74,621)	-	-	74,621	-	-	-	-	-	-	-
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	574,651	-	-	-	583,558	(574,651)	-	-	-	8,907	-	574,651
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	511,831	-	4,318	-	-	-	(4,318)	-	-	-	-	-
Special Education Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	666,900	-	656	-	-	-	-	-	-	656	-	-
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	499,575	-	-	-	498,834	(499,575)	-	(9,408)	-	8,667	9,408	499,575
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	544,219	-	5,255	-	-	-	(5,255)	-	-	-	-	-
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	2,420,669	-	-	-	2,261,141	(2,420,669)	-	(159,528)	-	-	159,528	2,420,669
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	1,780,610	(127,884)	-	-	127,884	-	-	-	-	-	-	-
Reimbursed Social Security Tax	18-495-034-5094-003	7/1/17-6/30/18	642,397	-	-	-	577,447	(642,397)	-	(64,950)	-	-	64,950	642,397
Reimbursed Social Security Tax	17-495-034-5094-003	7/1/16-6/30/17	476,359	(79,443)	-	-	79,443	-	-	-	-	-	-	-
On-Behalf Teachers' Pension and Annuity Fund	18-495-034-5094-002	7/1/17-6/30/18	872,801	-	-	-	872,801	(872,801)	-	-	-	-	-	872,801
On-Behalf-Teachers' Pension and Annuity Fund – Post-Retirement Medical	18-495-034-5094-001	7/1/17-6/30/18	563,723	-	-	-	563,723	(563,723)	-	-	-	-	-	563,723
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	4,231	-	-	-	4,231	(4,231)	-	-	-	-	-	4,231
Total General Fund				<u>(311,033)</u>	<u>48,653</u>	<u>-</u>	<u>22,362,780</u>	<u>(22,239,059)</u>	<u>(24,096)</u>	<u>(379,310)</u>	<u>-</u>	<u>216,555</u>	<u>379,310</u>	<u>22,239,059</u>
Enterprise Fund:														
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	7,817	-	-	-	6,833	(7,817)	-	(984)	-	-	-	7,817
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	7,899	(1,527)	-	-	1,527	-	-	-	-	-	-	-
Total Enterprise Fund				<u>(1,527)</u>	<u>-</u>	<u>-</u>	<u>8,360</u>	<u>(7,817)</u>	<u>-</u>	<u>(984)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,817</u>
Total Expenditures of State Financial Assistance				<u>\$ (312,560)</u>	<u>\$ 48,653</u>	<u>\$ -</u>	<u>\$ 22,371,140</u>	<u>(22,246,876)</u>	<u>\$ (24,096)</u>	<u>\$ (380,294)</u>	<u>\$ -</u>	<u>\$ 216,555</u>	<u>\$ 379,310</u>	<u>\$ 22,246,876</u>
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf Teachers' Pension and Annuity Fund	18-495-034-5094-002							872,801						
On-Behalf-Teachers' Pension and Annuity Fund – Post-Retirement Medical	18-495-034-5094-001							563,723						
On-Behalf- Teachers' Pension and Annuity Fund – Non-contributory Insurance	18-495-034-5094-004							4,231						
								1,440,755						
Total for State Financial Assistance-Major Program Determination								<u>\$ (20,806,121)</u>						

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE**

FOR THE ENDED JUNE 30, 2018

NOTE 1 GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activities of the Marion P. Thomas Charter Schools (the "Charter School"). All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the "Schedules") are presented using the budgetary basis of accounting with the exception of those recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) , and New Jersey OMB's Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying Schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both accounting principles generally accepted in the United States of America (GAAP) and budgetary 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. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE - CONTINUED**

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 60,456	\$ 20,798,304	\$ 20,858,760
Special Revenue Fund	1,271,665	-	1,271,665
Enterprise Fund	719,079	7,817	726,896
Total	<u>\$ 2,051,200</u>	<u>\$ 20,806,121</u>	<u>\$ 22,857,321</u>

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security contributions represents reimbursements in the amount of \$642,397 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018. The State had also made on-behalf TPAF payments for post-retirement medical benefits and long-term disability insurance in the amount of \$1,440,755.

NOTE 6 NON-CASH ASSISTANCE

The Charter School is the recipient of a Federal Award that does not result in cash receipts or disbursements. The Charter School was granted \$40,253 of commodities under the National School Lunch Program (CFDA 10.555)

NOTE 7 ON BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

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

NOTE 8 DE MINIMIS INDIRECT COST

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

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes ✓ No

Noncompliance material to financial statements noted? Yes ✓ No

Federal Awards

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

Auditee qualified as low-risk auditee? ✓ Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes ✓ No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes ✓ No

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes ✓ No

Identification of Major Programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
84.010	Title I Part A Grants to Local Educational Agencies

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION I - SUMMARY OF AUDITORS' RESULTS - CONTINUED

State Financial Assistance

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

Auditee qualified as low-risk auditee? Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes No

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

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
18-495-034-5120-078	<i>State Aid Public Cluster:</i> Equalization Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-089	Special Education Aid
18-495-034-5120-085	Adjustment Aid

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

Internal Control Over Financial Reporting

There are none.

Compliance and Other Matters

Finding 2018-001 - Enrollment

In our review of enrollment reported in CHE and information from the School Register, lunch applications and student files, we noted certain differences between data in CHE and school records. Refer to Section IV, State Financial Assistance below for details of the same finding.

SECTION III - FEDERAL AWARDS

None noted.

SECTION IV - STATE FINANCIAL ASSISTANCE

Finding 2018-001 - Enrollment

State Aid Public Cluster: 18-495-034-5120-078, Equalization Aid
18-495-034-5120-084, Security Aid
18-495-034-5120-089, Special Education Aid
18-495-034-5120-085, Adjustment Aid

Criteria

“Pursuant to N.J.A.C. 6A:23A-15.1 et. seq. charter schools are required to conduct enrollment counts twice annually, on October 15 (to conform with the school district enrollment count date) and again on the last day of the school year. Each charter school is required to submit each of the two counts to the department through the live web-based Charter School Enrollment System (CHE), available through the NJ Homeroom website, for the purposes of determining average daily enrollment. Accurate maintenance of the enrollment system is vital so that the resident districts can rely on the accuracy of the payment.”

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION IV - STATE FINANCIAL ASSISTANCE - CONTINUED

Condition

In our review of enrollment reported in CHE and information from the School Register, lunch applications and student files, we noted certain differences between data in CHE and school records.

Questioned Cost

Cannot be determined.

Context

In our review of enrollment information as reported in the CHE and as per school records, we noted the following:

- a. Proof of address for one student was not on file.
- b. Two students were classified as Special Education in CHE but parents did not agree with the implementation of the students' IEPs.
- c. A student was classified as Special Education in CHE but was not such per review of the student records.
- d. A student has 1.0 ADE per June 30, 2018 CHE; however, per the attendance test, the student transferred out in the middle of the school year and has an actual ADE of 0.45.
- e. A student was entered and counted twice in CHE.

Cause

Procedures to review student application and meals classification were not adhered to consistently. Information in CHE was not properly reconciled with supporting documents.

Effect

Student information per the CHE may not be accurate.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION IV - STATE FINANCIAL ASSISTANCE - CONTINUED

Recommendation

We recommend that the Charter School reviews the System entries for accurate posting of student information in the System. Reconciliation and review procedures of information should also be conducted on a periodic basis.

We recommend that free and reduced applications and entries in the Charter Enrollment System should be reviewed periodically by the Charter School personnel to ensure proper classification of applications into the categories of free, reduced, or paid.

View of Responsible Official and Planned Corrective Action

MPTCS will conduct more regular reconciliation of the School attendance record and the CHE system to ensure accuracy of the demographic of the students and their special needs Status in the CHE. We will also be more diligent in following up with parents /guardians to provide the School with current proof of address as per the guidelines. We have included in the checklist a procedure to ascertain that files of students that moved from Middle School to the High School are transferred on time and verified as per the registration procedures when they register in the High School.

**MARION P. THOMAS CHARTER SCHOOLS
(COUNTY OF ESSEX, NEW JERSEY)**

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

FISCAL YEAR ENDED JUNE 30, 2018

Finding 2017-001 Enrollment

In our review of records and reports, we noted that entries in the Charter School Enrollment (CHE) System of the New Jersey Department of Education did not agree to information on verified applications and supporting documents.

Status: The condition was partially corrected during fiscal year 2017. A similar finding is included in the current year Finding 2018-001.