

**MARIA L. VARISCO-ROGERS  
CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2018**

**PREPARED BY  
MARIA L. VARISCO-ROGERS CHARTER SCHOOL**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

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**MARIA L. VARISCO-ROGERS CHARTER SCHOOL**  
233 WOODSIDE AVENUE  
NEWARK, NEW JERSEY 07104  
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February 21, 2019

Honorable Chairperson and Members of the Board of Trustees  
Maria L. Varisco-Rogers Charter School  
County of Essex  
Newark, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of Maria L. Varisco-Rogers Charter School (Charter School) for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** Maria L. Varisco-Rogers Charter School was originally granted a charter by the Commissioner of the New Jersey Department of Education on September 9, 1999. At that time, the school opened its doors to its first 32 students which consisted of 16 students in the sixth grade and 16 students in the seventh grade. Over the past fifteen years the school has continued to grow in student and staff population, facilities and equipment, services offered, and in grades serviced. This academic year opened with 559 students from Kindergarten to eighth grade.

The goal for the 2017-2018 academic year will be to maintain 558 students enrolled from Kindergarten to eighth grade.

Maria L. Varisco-Rogers Charter School ended the 2017-2018 school year with an enrollment of 550 students. The following details the student enrollment of the Charter school over the last three years:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Attendance Rate</u>
2017-2018	550	96.76%
2016-2017	540	95.80%
2015-2016	486	95.80%

2. **MAJOR INITIATIVES:**

- A. **PERSONNEL MANAGEMENT**

During the 2017-2018 school year, administration continued to use the same protocol as last year to ensure that all candidates applying for a position within the school which required appropriate credentials and certification were properly credentialed and certified. For the 2017-2018 school year, the school was able to maintain full-time employment of its current staff as well as hire additional full-time teaching staff members, 1 new social worker, 2 new administration staff, 1 new case manager and 1 new Reaching Coach for grades K-8.

- B. **FACILITIES**

The school remained successful in maintaining its facilities located at 18 Heller Parkway and 243 Woodside Avenue, and its administration buildings located at 233 Woodside Avenue and 381 Woodside Avenue, all in Newark, NJ. The school continued to use the space at building 233 Woodside Avenue to utilize the Science and Mac Computer Laboratory, as well as additional space for resources for ESL, language arts, PARCC testing and special education teachers.

## **2. MAJOR INITIATIVES (CONTINUED)**

### **C. EDUCATIONAL PROGRAM**

During the 2017-2018 school year, the school continued with its revision of the school's educational program (curriculum and professional development) based on the data assessment of our students' needs and the recommendations made by the NJ Department of Education during the 5-year renewal.

The school has devoted its resources to the development and improvement of its curriculum and pedagogy. The curriculum guides include the New Jersey Student Learning Standards (NJSLS) that are addressed for each section of the text that is used for the subject, suggested activities, and a scope and sequence chart to help teachers plan the year. Teachers are involved in the process of curriculum revision and development while working with the Curriculum Consultant, Director of Curriculum and Assessment, Director of ESL and Bilingual Education, and instructional coaches. Teachers have received training and support from consultants, the Director of Curriculum and Assessment, and instructional coaches in curriculum development and instructional planning which has led to a more vertically aligned curriculum from grade to grade, which will keep evolving as the teachers implement it.

The Principal, Director of Curriculum and Assessment, Director of ESL and Bilingual Education, instructional coaches, and the teaching staff attended subject area meetings throughout the school year. Lesson plans were developed collaboratively by grade level teams and submitted bi-weekly on Realtime for archiving and feedback. Supervisors reviewed lesson plans to ensure lesson tasks were aligned with objectives and the curriculum. The school's math program is well-developed and includes a strong emphasis on Algebra. The program has clear objectives and shows evidence of differentiation to meet the needs of the students at various levels.

The school emphasizes the use of technology for teaching and learning. Classrooms are equipped with Smartboards, interactive white boards, Nooks, iPads, instructional software, Smart Response Systems and Samsung tablets for 5, 7th & 8th grade students where students access their online textbook, instructional programs and applications. The students in 6th grade are provided with ChromeBooks to take home and use for homework and studying purposes. Teachers design engaging and creative curriculum linked to learning standards. In addition, there is a computer lab for the K-4 students located in 243 Woodside Ave., and a MAC lab for the students in grades 5-8 located in 233 Woodside Avenue.

One main focus of the school is an Individualized Educational Plan. During the first month of school, teachers administer assessment tests to understand the proximal zone of each student for each subject (DRA) as well as Pre-Assessments in LAL, Math, and Science for grades 4 and 8 and NWEA (MAP) Testing.

An Afterschool Enrichment Program was operated for grades K-8. Students who were identified as being in need of additional support ("cusp students") were referred to Kumon Learning Center. Kumon staff came to our school two times per week to support our students in reading and math. During tutoring time, students actively developed critical thinking skills while progressing independently through a carefully crafter Kumon curriculum. The Kumon math and reading programs allow students to learn new concepts on their own and progress one small step at a time through daily practice.

## **2. MAJOR INITIATIVES (CONTINUED)**

### **D. PROFESSIONAL DEVELOPMENT AND SUPPORT**

The school provides a plethora of support to its faculty and staff. During the 2017-2018 school year, the Administration staff provided regular classroom observations (both formal and informal), as well as feedback. The professional development plan had an abundance of professional development offerings that took place throughout the school year. Also, the school held one half-school day session per month, which allowed for the teachers and support staff to attend 4 hours of onsite professional development monthly. In addition, consultants provided coaching and modeling of classroom lessons. Grade level teams met regularly with administrators to plan and address issues and students of concern.

The professional development provided to the teachers was intended to increase classroom rigor. In order to make improvements to the school's literacy program and math program, the school's literacy coach, literacy consultant and two math coaches provide the teachers with resources and professional development, which includes modeling lessons. The Director of ESL and Bilingual Education provided on-going training, support, and modeling of Sheltered Instruction strategies. The director also offered a Literacy/ESL Parent program to the parents to give them an opportunity to learn English. In order to provide more information to the staff regarding the ESL program, administration held meetings and professional development regarding the specifics of the ESL program such as but not limited to, the ESL teacher's role, testing, etc.

The school continued with its on-going staff development in the area of PARCC Assessment preparation for grades 3-8 in Math and ELA. The school contracted a consultant to conduct a data analysis which was then shared with the teachers, support staff, and appropriate members of administration. Data was also analyzed in-house and shared during PLC's for growth and development.

### **E. ASSESSMENT AND STUDENT ACHIEVEMENT**

#### **STATE ASSESSMENTS**

The staff at the school was responsible for preparing the students to take the state assessments and for administering the test. The Principal assigned three members of the teaching staff to be test coordinators. In addition, the Network Specialist, Director of Curriculum and Assessment, Principal and Director of Technical Education were assigned to assist during testing. The test coordinators were responsible for gathering the proper testing materials, ensuring that they were handled properly (i.e. locked the NJASK material in a secure location), and they trained the staff to administer the test(s). The case manager was responsible for maintaining the IEP's of students with special needs and ensuring the special needs students were provided with the IEP recommended accommodations. During the 2017-2018 school year the students participated in the PARCC Assessment (grades 3-8).

## **2. MAJOR INITIATIVES (CONTINUED)**

### **E. ASSESSMENT AND STUDENT ACHIEVEMENT (CONTINUED)**

#### **STATE ASSESSMENTS (CONTINUED)**

According to the 2017-2018 PARCC scores the percent of students that “Met” or “Exceeded Expectations” in English Language Arts was 82% and 54% in Mathematics. During the 2016-2017 PARCC scores the percent of students that “Met” or “Exceeded Expectations” in English Language Arts was 78% and 51% in Mathematics, during the 2015-2016 school year the percent of students that “Met” or “Exceeded Expectations” in English Language Arts was 73% and 58% in Mathematics, and during the 2014-2015 school year the percent of students that “Met” or “Exceeded Expectations” in English Language Arts was 70% and 53% in Mathematics.

Terra Nova Fall & Spring Test (grades 1-2), Terra Nova Spring Test (Kindergarten) and NJASK Science (grades 4 and 8).

### **F. SOCIAL WORK**

The Charter School’s Social Work Program provided the entire school community with comprehensive service delivery with the goal of maximizing student academic success. These services included:

- Student/Parent Support – individual and/or family counseling with case management and I&RS services which include group dynamics centered on improving emotional and behavioral health, social skills training which targeted the improvement of social skills such as conflict resolution, anger management and problem solving techniques, in-class student observations, in-class student support, and crisis intervention. These services were offered by three (2) licensed social workers and social work interns at the BSW and MSW level from collaborating schools of social work. Social work interns worked closely with the school case manager in monitoring student process and progress. They were key in the continuity of communication between family, school and community service providers.
- School Staff Support – staff orientations included Procedure for Referring Students for Pupil Assistance and Child Study Services. Staff benefited from social work consultation as needed using various means of communication including telephone, internet and in person.
- Child Study Team Services – The school case manager served as the case manager for students with Individualized Education Plans (IEP). In this role the case manager partnered with the special education teacher and regular education teachers to ensure proper implementation of the IEP goals and objectives.
- An Anti-bullying Specialist and Anti-bullying coordinator were sent to training, and properly reported/investigated all reported incidents of HIB.

## **2. MAJOR INITIATIVES (CONTINUED)**

### **F. SOCIAL WORK (CONTINUED)**

- Social work interns also developed activities for Week of Respect, Red Ribbon Week, Violence and Vandalism Week, and Nutrition Week. Activities promoted the educational theme of each week and included workshops for the parents as well as students.
- High School Visits/Guidance – The social work department chooses representatives from local high schools to come and speak with future 8th grade students. The high schools are chosen based on where our past students have attended. The representatives come to our school and give information on how to apply, when their open houses are and how to get their application.

### **G. PARENT/COMMUNITY INVOLVEMENT AND PUBLIC RELATIONS/OUTREACH**

Maria L. Varisco-Rogers Charter School recognizes the importance of involving parents in their child's education. It has always been the school's objective to foster that relationship between parent and school. This year, the following activities were utilized in order to accomplish this objective:

- Parents were involved foremost by applying for their child's admittance into Maria L. Varisco-Rogers Charter School. Upon acceptance, parents met with the Principal for a personal interview that involved reviewing the rules and expectations of the school. Maria L. Varisco-Rogers Charter School has found this practice to be very successful as it is a strong beginning to the parent/school bond.
- Literacy Night for grades K-8.
- Parents were given the opportunity to have their child participate in the KUMON program after school for additional academic support (Grades K- 8).
- Math night for 5th-8th grade.
- Science Fair was held for grades 4-8.
- Parents were provided with a Harassment, Intimidation and Bullying workshop.
- Students participated in clean up events, such as Slam Dunk the Junk, to help clean up and beautify the neighborhood.
- Throughout the year, parent orientations, open houses and meetings were scheduled to continue to keep parents abreast about the significant events occurring at the charter school.

## 2. **MAJOR INITIATIVES (CONTINUED)**

### **G. PARENT/COMMUNITY INVOLVEMENT AND PUBLIC RELATIONS/OUTREACH (CONTINUED)**

- Three parents continued to participate on the Board of Trustees. They attended all monthly and special meetings held by the Board and participated in voting.
- Parents were invited to join the students on field trips.
- Monthly newsletters, phone calls home, the school website, and monthly activity calendars were the major forms of communication with parents regarding the school.

### 3. **ACCOUNTABILITY**: The following goals were established by the Executive Director/ Lead Person:

- Expand facilities
  - The Charter School will continue to seek facilities for future growth and expansion.
- Continue partnerships
  - The Charter School continued to partner with local Universities to provide social work services to the students and their families through the use of student interns at the MSW and BSW levels.
  - The Charter School partnered with Kumon learning center to provide afterschool academic support to students identified as “needing improvement” (“cusp” students). To insure full participation, Kumon teachers came to our school to work with our students. The partnership will continue with Kumon for the 2018-2019 school year.
  - The Charter School will seek funding through community partnerships in order to provide additional academic support to the students, i.e., enrichment programs, tutoring, etc.
- The Charter School will continue to use Realtime for the use of entering and maintaining student data such as grades, attendance, enrollment, conducting performance evaluations, special education management software, etc.
- The Charter School will continue to utilize the Charlotte Danielson Framework for Teaching Performance Evaluation System.
- The Charter School will provide more activities and opportunities for parental involvement by asking parents to volunteer, having classroom helpers, etc.
- The Charter School will continue to work toward increasing student achievement in language arts and mathematics.

#### **4. GRANT(S) ACTIVITIES**

The NCLB (No Child Left Behind) Grant was approved for School-wide funding. The Grant was utilized to implement Professional Development workshops and activities such as special parent/student meetings and programs, as well as being used for payment of salaries for staff and administration.

Individuals with Disabilities Education Act (IDEA) was utilized to serve children with disabilities. The school provided early intervention, special education and related services to students with disabilities.

The Walmart Grant was approved for the After School Program. The Grant was utilized for supplies and teacher salaries.

#### **5. BOARD OF TRUSTEES:**

##### MAJOR ACCOMPLISHMENTS AND CRITICAL POLICIES

In this school year the Board of Trustees gave freely of their time and effort to accomplish the following:

- Approved revision of Policy 4111/4211 Recruitment, selection and hiring.
- Completed annual board training
- Approved ESL Staff and Parents presented at the NJ ELL Parent Expo
- Provided Fresh Fruit and Vegetables to the students and staff five (5) days per week through the Nutrition Program.
- Rewarded the staff with bonuses after maintaining Tier 1 status for three (3) consecutive years.
- Received five (5) year charter renewal through the NJ Department of Education.
- Received approval to amend the school's total enrollment to 558 students.
- Attended the NJ Charter School Conference
- Completed the annual ethics filing.
- Appointed two parents and two staff members to be part of the Grievance Committee.
- The Board of Trustees appointed the Lead Person, School Business Administrator/Purchasing Agent
- Obtained monthly reports from the principal and other key administrators, (i.e. Lead Person, School Business Administrator/Purchasing Agent, Director of BIL/ESL, Director of Curriculum and Assessment, etc.) at each meeting.

## **5. BOARD OF TRUSTEES (CONTINUED)**

### **MAJOR ACCOMPLISHMENTS AND CRITICAL POLICIES (CONTINUED)**

- Completed evaluations of the board's performance and the performance of the Lead Person/Executive Director and School Business Administrator, *Board Members*: During the school year there was 12 members of the board, 10 of which are voting members and 2 of which are Ex-Officio members. The members included community representatives, parents, a student member, and professionals. (See Table for list of board members).

## **6. INTERNAL ACCOUNTING CONTROLS**

The Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure that the assets of the school are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The internal control 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 control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits required estimates and judgments by management.

During our last review, the school was found to be stable and in good standing, with no need to review our financial records. Organized documents were also complimented, making the review process simple for them, including the communication established prior to the visit.

## **7. BUDGETARY CONTROLS**

In addition to internal accounting controls, the Charter School maintained budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and the State of New Jersey. Annual appropriated budgets were adopted for the general fund and the special revenue fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

## **8. ACCOUNTING SYSTEMS AND REPORTS**

The Charter School's accounting records reflected Generally Accepted Accounting Principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The Accounting System of the school was organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to Financial Statements", Note 1.

## 9. **CASH MANAGEMENT**

The investment policy of the school was guided in large part by state statute as detailed in “Notes to Financial Statements,” Notes 1 and 3. The school has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

## 10. **RISK MANAGEMENT**

The Charter School carries adequate amounts and types of insurance coverage for all aspects of the Charter School’s operation. This coverage is also used to protect and defend personnel, board members, and students against reasonable claims due to adverse events for which the school is liable. The coverage includes, but is not limited to, general liability, property, hazard and theft, automotive, worker’s compensation, and student accident.

## 11. **OTHER INFORMATION:**

**Independent Audit** – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Galleros Koh LLP, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit Act Amendment of 1996, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

## **12. ACKNOWLEDGEMENT**

I would like to express our deepest gratitude to our Board of Trustees for the strong recommendations they made throughout the school year to better our school's operations. The Board is pleased with the hard work and dedication of the CPA firm, Galleros Koh, LLP, and their findings of "no recommendations" for this year's annual audit.

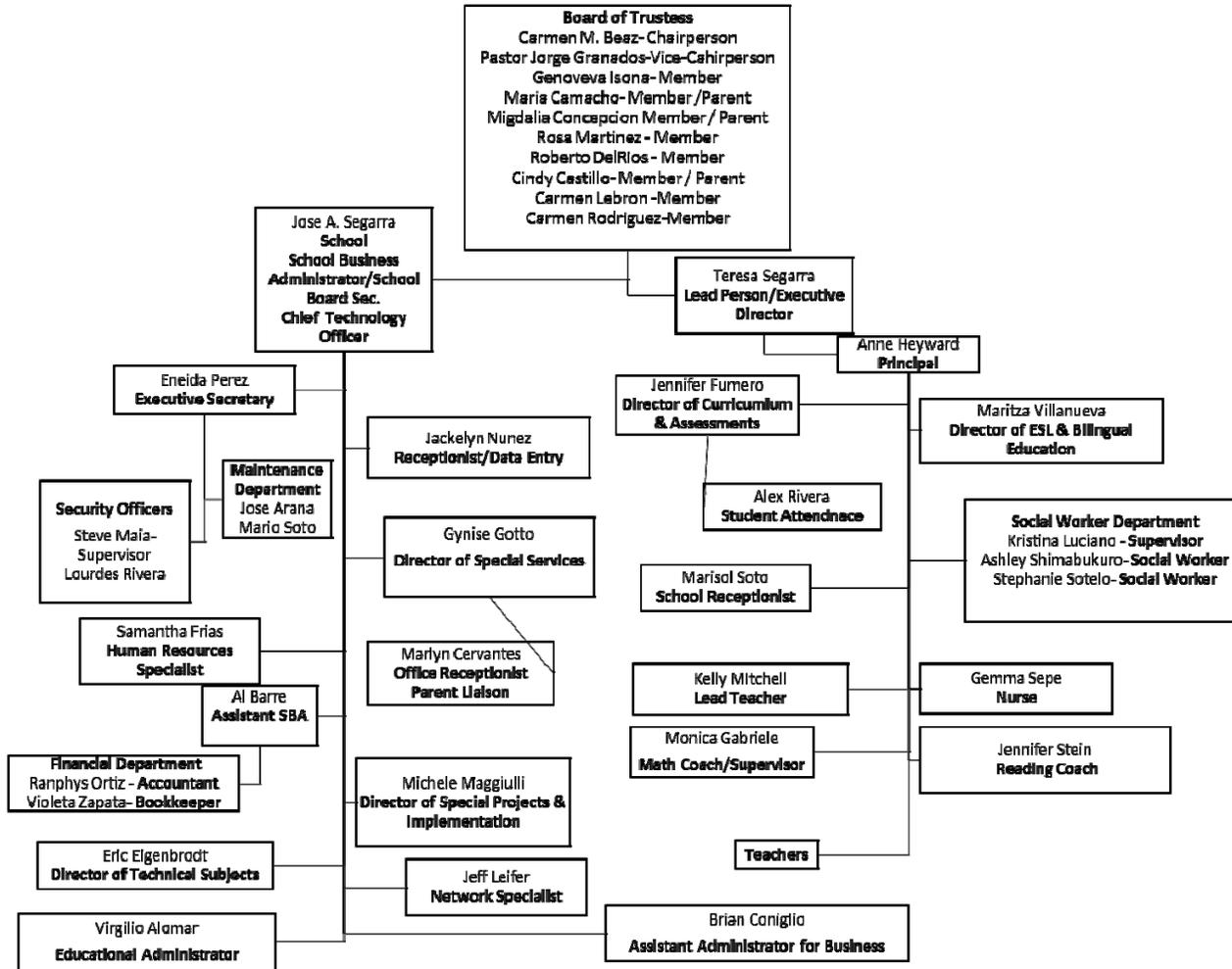
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jose A. Segarra". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jose A. Segarra  
School Business Administrator

**MARIA L. VARISCO ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**ORGANIZATIONAL CHART**



**MARIA L. VARISCO ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**ROSTER OF OFFICIALS**

**JUNE 30, 2018**

<b>MEMBERS OF THE BOARD OF TRUSTEES</b>	<b>TERM</b>
Carmen Baez, Chairperson	8/30/2018
Pastor Jorge Granados, Vice-Chairperson	8/30/2018
Genoveva Isona, Board Member	8/30/2018
Rosa Martinez, Board Member	8/30/2018
Roberto DelRios, Board Member	8/30/2018
Carmen Lebron, Board Member	8/30/2018
Carmen Rodriguez, Board Member	8/30/2018
Cindy Castillo, Parent Member	8/30/2018
Maria Camacho, Parent Member	8/30/2018
Migdalia Concepcion, Parent Member	8/30/2018
Teresa Segarra, Lead Person/Executive Director (non-voting)	
Jose Segarra, SBA/Board Secretary (non-voting)	

**MARIA L. VARISCO ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**CONSULTANTS AND ADVISORS**

**Independent Auditors**

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

**Attorneys**

Adams, Gutierrez & Lattiboudere, LLC  
The Legal Center  
1037 Raymond Boulevard  
Suite 900  
Newark, New Jersey 07102

**Official Depositories**

TD Bank  
1701 Route 70 East  
Cherry Hill, New Jersey 08034-5400

# **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

The Honorable President and  
Members of the Board of Trustees  
Maria L. Varisco-Rogers Charter School  
County of Essex  
Newark, 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 Maria L. Varisco-Rogers Charter School (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 Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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

## **INDEPENDENT AUDITORS' REPORT - CONTINUED**

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.

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 Maria L. Varisco-Rogers Charter School, 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 Post-Employment 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 18 through 24, Budgetary Comparison Information on pages 71 through 73, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) and OPEB (GASB 75) on pages 75 through 79 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.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

### *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.

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 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's 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.

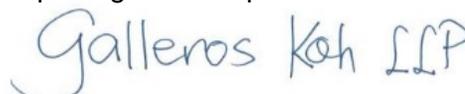
The combining and individual fund financial statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied 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 21, 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



GALEROS KOH LLP  
Certified Public Accountants

February 21, 2019  
Cream Ridge, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **MARIA L. VARISCO-ROGERS CHARTER SCHOOL (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 Maria L. Varisco-Rogers Charter School’s (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 in conformance with the requirements of the Governmental Accounting Standards Board (GASB).

### **Financial Highlights**

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

- General revenues accounted for \$8.7 million or 69% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$3.9 or 31% of total revenues of \$12.7 million.
- The Charter School had \$13.98 million in expenses; only \$4.4 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$8.7 million were not adequate to provide for these programs.
- Among governmental funds, the General Fund had \$9.9 million in revenues and \$10.3 million in expenditures. The General Fund’s fund balance decreased by \$0.3 million in 2018.
- On the Charter School-wide financial statements, the liabilities and deferred inflows of resources of the Charter School exceeded assets and deferred outflows of resources at the close of its most recent fiscal year by \$2.3 million. The Charter School’s total net position decreased by \$0.9 million for the year ended June 30, 2018 mainly due to increase in salaries and related benefit costs for the year and the recognition of PERS pension expense and depreciation in the Charter School-wide financial statements.

### **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 Maria L. Varisco-Rogers Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School’s finances and a long-term view of those finances.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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 Maria L. Varisco-Rogers Charter School, the General Fund is the most significant fund.

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

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

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

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

**Statement of Net Position and Statements 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 take 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 assets 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 Charter School 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:

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - 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 cash.

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

Governmental fund information helps determine whether there are 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.

**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 assets at June 30, 2018.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

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

	<b>Governmental Activities</b>	<b>Business Type Acvtivities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets	\$ 1,904,550	\$ 180,086	\$ 2,084,636
Capital Assets, net	143,608	13,265	156,873
Total Assets	<u>2,048,158</u>	<u>193,351</u>	<u>2,241,509</u>
<b>Deferred Outflows of Resources</b>			
	<u>1,541,651</u>	<u>-</u>	<u>1,541,651</u>
<b>Liabilities</b>			
Current Liabilities	229,673	42,288	271,961
Noncurrent Liabilities	4,480,867	-	4,480,867
Total Liabilities	<u>4,710,540</u>	<u>42,288</u>	<u>4,752,828</u>
<b>Deferred Inflow of Resources</b>			
	<u>1,295,977</u>	<u>-</u>	<u>1,295,977</u>
<b>Net Position</b>			
Invested in Capital Assets (net of related debt)	143,608	-	143,608
Unrestricted	(2,560,316)	151,063	(2,409,253)
Total Net Position	<u>\$ (2,416,708)</u>	<u>\$ 151,063</u>	<u>\$ (2,265,645)</u>

The total net position of the Charter School has decreased by \$0.9 million during the current fiscal year. The decrease is mainly due to increase in salaries and related benefit costs for the year and the recognition of PERS pension expense and depreciation in the Charter School-wide financial statements.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 57,383	\$ 54,040	\$ 57,383	\$ 54,040
Operating grants and Contributions	3,971,993	2,940,773	402,659	374,242	4,374,652	3,315,015
Total Program Revenues	3,971,993	2,940,773	460,042	428,282	4,432,035	3,369,055
General Revenues:						
Local Aid	1,154,168	1,014,869	-	-	1,154,168	1,014,869
Federal and State Aid	7,514,331	7,660,479	-	-	7,514,331	7,660,479
Miscellaneous	12,948	1,591	-	-	12,948	1,591
Total General Revenues	8,681,447	8,676,939	-	-	8,681,447	8,676,939
Total Revenues	12,653,440	11,617,712	460,042	428,282	13,113,482	12,045,994
Expenses:						
Instructions	6,959,411	6,824,517	-	-	6,959,411	6,824,517
Administrative	3,573,687	3,068,730	-	-	3,573,687	3,068,730
Support services	2,736,680	2,501,871	-	-	2,736,680	2,501,871
Unallocated						
Depreciation	86,562	104,138	-	-	86,562	104,138
Food Service and After Care	-	-	622,495	405,112	622,495	405,112
Total Expenses	13,356,340	12,499,256	622,495	405,112	13,978,835	12,904,368
Change in Net Position	\$ (702,900)	\$ (881,544)	\$ (162,453)	\$ 23,170	\$ (865,353)	\$ (858,374)

In 2018, total revenues increased by \$1.1 million about 8.9% increase compared to total revenues in 2017. Total expenses increased by \$1.1 million, about 1% increase compared to 2017.

**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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT’S DISCUSSION AND ANALYSIS - CONTINUED**

	<u>Total Cost of Services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 6,959,411	\$ 2,440,310	\$ (4,519,101)
Administrative	3,573,687	1,056,871	(2,516,816)
Support services	2,736,680	474,812	(2,261,868)
Unallocated:			
Capital outlay	-	-	-
Depreciation	86,562	-	(86,562)
Total Expenses	<u>\$ 13,356,340</u>	<u>\$ 3,971,993</u>	<u>\$ (9,384,347)</u>

**Business-Type Activity**

The business-type activities of the Charter School are the food service and after care operations. These programs had revenues of \$0.46 million and operating expenses of \$0.62 million for fiscal year 2018.

**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 \$10.5 million and expenditures of \$10.8 million.

**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 \$8.7 million which included a local tax levy of \$1.2 million. Expenditures were budgeted at \$9.1 million. The Charter School anticipated a decrease in fund balance of \$0.4 million. In fiscal year 2017-2018, actual revenues were \$9.9 million and expenditures were \$10.3 million.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

The State of New Jersey reimbursed the Charter School \$0.3 million 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 post-retirement medical benefits and insurance were \$1.0 million. These unbudgeted amounts are included in both revenues and expenditures.

**Capital Assets**

At the end of fiscal year 2018, the Charter School had \$0.1 million invested in capital assets.

**Economic Factors and Next Year's Budget**

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

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Jose A. Segarra, School Board Administrator at Maria L. Varisco-Rogers Charter School, 233 Woodside Avenue, Newark, New Jersey 07104.

# **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.

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

## STATEMENT OF NET POSITION

JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,687,843	\$ 115,075	\$ 1,802,918
Escrow deposits	75,000	-	75,000
Receivables	49,125	64,898	114,023
Security deposits	49,309	-	49,309
Interfund receivables	43,273	113	43,386
Total current assets	<u>1,904,550</u>	<u>180,086</u>	<u>2,084,636</u>
Capital assets:			
Machinery & equipment	594,956	39,664	634,620
Less: Accumulated depreciation	<u>451,348</u>	<u>26,399</u>	<u>477,747</u>
Net capital assets	<u>143,608</u>	<u>13,265</u>	<u>156,873</u>
Total Assets	<u>2,048,158</u>	<u>193,351</u>	<u>2,241,509</u>
<b>Deferred Outflows of Resources</b>	1,541,651	-	1,541,651
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	97,779	42,288	140,067
Intergovernmental payable:			
State	<u>131,894</u>	<u>-</u>	<u>131,894</u>
Total current liabilities	229,673	42,288	271,961
Noncurrent Liabilities:			
Due within one year	213,361	-	213,361
Due in more than one year	<u>4,267,506</u>	<u>-</u>	<u>4,267,506</u>
Total noncurrent liabilities	<u>4,480,867</u>	<u>-</u>	<u>4,480,867</u>
Total Liabilities	<u>4,710,540</u>	<u>42,288</u>	<u>4,752,828</u>
<b>Deferred Inflows of Resources</b>	1,295,977	-	1,295,977
<b>Net Position</b>			
Invested in capital assets	143,608	-	143,608
Unrestricted	<u>(2,560,316)</u>	<u>151,063</u>	<u>(2,409,253)</u>
Total net position	<u>\$ (2,416,708)</u>	<u>\$ 151,063</u>	<u>\$ (2,265,645)</u>

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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 Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>						
Instruction	\$ 6,959,411	\$ -	\$ 2,440,310	\$ (4,519,101)	\$ -	\$ (4,519,101)
Administrative cost	3,573,687	-	1,056,871	(2,516,816)	-	(2,516,816)
Support services	2,736,680	-	474,812	(2,261,868)	-	(2,261,868)
Unallocated:						
Depreciation	<u>86,562</u>	<u>-</u>	<u>-</u>	<u>(86,562)</u>	<u>-</u>	<u>(86,562)</u>
Total governmental activities	13,356,340	-	3,971,993	(9,384,347)	-	(9,384,347)
<b>Business-type activities:</b>						
Food Service	612,552	29,631	402,659	-	(180,262)	(180,262)
After Care	<u>9,943</u>	<u>27,752</u>	<u>-</u>	<u>-</u>	<u>17,809</u>	<u>17,809</u>
Total business-type activities	622,495	57,383	402,659	-	(162,453)	(162,453)
Total primary government	<u>\$ 13,978,835</u>	<u>\$ 57,383</u>	<u>\$ 4,374,652</u>	<u>\$ (9,384,347)</u>	<u>\$ (162,453)</u>	<u>\$ (9,546,800)</u>
<b>General revenues, transfers and special items:</b>						
Local sources				\$ 1,154,168	\$ -	\$ 1,154,168
State sources				7,514,331	-	7,514,331
Miscellaneous				<u>12,948</u>	<u>-</u>	<u>12,948</u>
Transfers						-
Total general revenues, transfers and special items				<u>8,681,447</u>	<u>-</u>	<u>8,681,447</u>
Changes in net position				(702,900)	(162,453)	(865,353)
Net position - beginning				<u>(1,713,808)</u>	<u>313,516</u>	<u>(1,400,292)</u>
Net position - ending				<u>\$ (2,416,708)</u>	<u>\$ 151,063</u>	<u>\$ (2,265,645)</u>

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,687,843	\$ -	\$ 1,687,843
Escrow deposit	75,000	-	75,000
Accounts receivable:			
Local	12,541	-	12,541
State	20,713	-	20,713
Federal	-	-	-
Other receivables	15,871	-	15,871
Security deposit	49,309	-	49,309
Interfund receivables	<u>43,273</u>	<u>-</u>	<u>43,273</u>
Total assets	<u>\$ 1,904,550</u>	<u>\$ -</u>	<u>\$ 1,904,550</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable and other liabilities	\$ 97,779	\$ -	\$ 97,779
Intergovernmental payables:			
State	<u>131,894</u>	<u>-</u>	<u>131,894</u>
Total liabilities	<u>229,673</u>	<u>-</u>	<u>229,673</u>
Fund balances:			
Assigned	-	-	-
Unassigned	<u>1,674,877</u>	<u>-</u>	<u>1,674,877</u>
Total fund balances	<u>1,674,877</u>	<u>-</u>	
Total liabilities and fund balances	<u>\$ 1,904,550</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
	Cost of capital assets		\$ 594,956
	Accumulated depreciation		<u>(451,348)</u>
			<u>143,608</u>
Deferred outflow and deferred inflow of resources and amortized in the statement of activities			<u>245,674</u>
Long-term liabilities, including compensated absences and net pension liability which are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
	Compensated absences payable		(215,315)
	Net pension liability		<u>(4,265,552)</u>
Net assets of governmental activities - A-1			<u>\$ (2,416,708)</u>

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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
<b>Revenues</b>			
Local Sources:			
Local tax levy	\$ 1,154,168	\$ -	\$ 1,154,168
Miscellaneous	<u>12,948</u>	<u>-</u>	<u>12,948</u>
Total revenues -local sources	1,167,116	-	1,167,116
State sources	7,514,331	-	7,514,331
Federal sources	-	546,310	546,310
Reimbursed TPAF - Social Security (non-budgeted)	268,992	-	268,992
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	578,120	-	578,120
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	373,396	-	373,396
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>2,616</u>	<u>-</u>	<u>2,616</u>
Total revenues	<u>9,904,571</u>	<u>546,310</u>	<u>10,450,881</u>
<b>Expenditures</b>			
Current expense:			
Instruction	3,359,764	499,769	3,859,533
Administrative cost	3,690,609	-	3,690,609
Support services	2,006,007	46,541	2,052,548
Capital outlay	2,819	-	2,819
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	268,992	-	268,992
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	578,120	-	578,120
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	373,396	-	373,396
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>2,616</u>	<u>-</u>	<u>2,616</u>
Total expenditures	<u>10,282,323</u>	<u>546,310</u>	<u>10,828,633</u>
Excess (deficiency) of revenues over expenditures	(377,752)	-	(377,752)
Fund balances at beginning of the year	<u>2,052,629</u>	<u>-</u>	<u>2,052,629</u>
Fund balances at end of the year	<u>\$ 1,674,877</u>	<u>\$ -</u>	<u>\$ 1,674,877</u>

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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)** \$ (377,752)

**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.

Capital outlay	2,819	
Depreciation expense	<u>(86,562)</u>	(83,743)

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		6,882
Pension costs		<u>(248,287)</u>

**Change in net position of governmental activities (A-2)** \$ (702,900)

**PROPRIETARY FUNDS**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 89,696	\$ 25,379	\$ 115,075
Interfund receivables - General Fund	-	113	113
Accounts receivable:			
Federal	-	64,116	64,116
State	-	782	782
Total accounts receivable:	<u>-</u>	<u>64,898</u>	<u>64,898</u>
Capital assets			
Machinery and equipment	-	39,664	39,664
Less: Accumulated depreciation	<u>-</u>	<u>(26,399)</u>	<u>(26,399)</u>
Net capital assets	<u>-</u>	<u>13,265</u>	<u>13,265</u>
Total assets	<u>\$ 89,696</u>	<u>\$ 103,655</u>	<u>\$ 193,351</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts Payable	<u>\$ -</u>	<u>\$ 42,288</u>	<u>\$ 42,288</u>
<b>Net position</b>			
Unrestricted	<u>89,696</u>	<u>61,367</u>	<u>151,063</u>
Total liabilities and net position	<u>\$ 89,696</u>	<u>\$ 103,655</u>	<u>\$ 193,351</u>

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT 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 - nonreimbursable programs	\$ -	\$ 14,890	\$ 14,890
Daily sales - reimbursable programs	-	14,741	14,741
Miscellaneous revenue	<u>27,752</u>	-	<u>27,752</u>
Total Operating revenues	<u>27,752</u>	<u>29,631</u>	<u>57,383</u>
Operating expenses:			
Salaries	9,176	21,668	30,844
Employee benefits	767	1,559	2,326
Space cost	-	34,730	34,730
Purchased technical services	-	213,574	213,574
Supplies and materials - reimbursable programs	-	279,099	279,099
Supplies and materials - nonreimbursable programs	-	7,627	7,627
Equipment	-	23,142	23,142
Depreciation	-	6,021	6,021
Miscellaneous	-	<u>25,132</u>	<u>25,132</u>
Total operating expenses	<u>9,943</u>	<u>612,552</u>	<u>622,495</u>
Operating loss	<u>17,809</u>	<u>(582,921)</u>	<u>(565,112)</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	-	4,733	4,733
Federal sources:			
National School Lunch Program	-	261,652	261,652
National School Breakfast Program	-	103,261	103,261
After School Snacks Program	-	3,148	3,148
Fresh Fruits and Vegetables Program	-	<u>29,865</u>	<u>29,865</u>
Total nonoperating revenues	<u>-</u>	<u>402,659</u>	<u>402,659</u>
Changes in net position	17,809	(180,262)	(162,453)
Total net position at beginning of year	<u>71,887</u>	<u>241,629</u>	<u>313,516</u>
Total net position at end of year	<u>\$ 89,696</u>	<u>\$ 61,367</u>	<u>\$ 151,063</u>

MARIA L. VARISCO ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	<u>AFTER CARE</u>	<u>FOOD SERVICE</u>	<u>TOTAL</u>
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ 17,809	\$ (582,921)	\$ (565,112)
Adjustment to reconcile operating loss to net cash from operating activities			
Depreciation	-	6,021	6,021
Changes in assets and liabilities:			
Accounts receivable	-	(37,415)	(37,415)
Accounts payable	-	24,165	24,165
Interfund receivable	-	(113)	(113)
Net cash from operating activities	<u>17,809</u>	<u>(590,263)</u>	<u>(572,454)</u>
<b>Cash flows from noncapital financing activities</b>			
Cash received from state and federal reimbursements	<u>-</u>	<u>402,659</u>	<u>402,659</u>
<b>Cash flows from investing activities</b>			
Purchase of equipment	<u>-</u>	<u>(5,868)</u>	<u>(5,868)</u>
Net increase (decrease) in cash and cash equivalents	17,809	(193,472)	(175,663)
Cash and cash equivalents at beginning of the year	<u>71,887</u>	<u>218,851</u>	<u>290,738</u>
Cash and cash equivalents at end of year	<u>\$ 89,696</u>	<u>\$ 25,379</u>	<u>\$ 115,075</u>

**FIDUCIARY FUNDS**

MARIA L. VARISCO ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	<u>New Jersey Unemployment Benefits</u>	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,297	\$ 340,966
<b>Liabilities and Net Position</b>		
Liabilities:		
Payroll withholdings payable	\$ -	\$ 19,893
Accounts payable	2,658	-
Summer pay payable	-	259,016
Due to student groups	-	18,671
Interfund payables	-	43,386
Total liabilities	2,658	340,966
<b>Net Assets</b>		
Restricted		
Unemployment compensation	<u>(361)</u>	<u>-</u>
Total liabilities and net position	<u>\$ 2,297</u>	<u>\$ 340,966</u>

MARIA L. VARISCO ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2018

	<b><u>New Jersey Unemployment Benefits</u></b>
Revenues:	
General fund appropriation	\$ 23,869
Employees' contributions	<u>11,951</u>
Total revenues	<u>35,820</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>40,391</u>
Total expenditures	<u>40,391</u>
Excess of revenues over expenditures	(4,571)
Net position at beginning of the year	<u>4,210</u>
Net position at end of the year	<u>\$ (361)</u>

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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 Maria L. Varisco-Rogers Charter School (the "Charter School") 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 is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

**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 Accounting Standards Board's (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.

**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 most significant of the Charter School's accounting policies are described below:

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Basis of Presentation - Continued**

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

The financial statements include:

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

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

**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.

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Basic Financial Statements - Continued**

**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.
- 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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**E. Governmental Funds - Continued**

**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 Fund**

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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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. The 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 activity funds.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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 balance sheet. Fund equity (i.e., net total assets) is classified as net position.

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

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

“Measurable” means the amount of the transaction can be 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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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 balanced within governmental activities and within business-type activities are eliminated on the charter school-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. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

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>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building, if owned	50 years
Building Improvement	20 years
Electrical/Plumbing	30 years
Office and Computer Equipment	5-10 years

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**O. 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.

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

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**P. 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 is 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".

**Q. Deferred Revenue**

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

**R. Accrued Liabilities and Long-Term Obligations**

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

**S. 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).

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**S. Fund Balance and Equity - Continued**

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

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

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

*Unassigned* 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**T. Net Position**

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

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

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

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

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

**U. Contributed Capital**

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

**V. 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**W. 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.

**X. Accounting for Uncertainty in Income Taxes**

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

**Y. 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.

**Z. 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 21, 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE - CONTINUED**

The adoption of the standards resulted in an increase in revenue and expenses for the year ended June 30, 2018 of \$1,199,957 and a \$0 effect for the change in accounting principle in the Charter-School wide financial statements.

Note disclosures required by GASB Statement No. 75 is reflected in Note 8 post-retirement benefits and the required supplementary information in Schedule M.

**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 carrying amount of deposits and investments are as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 1,687,343	\$ 115,075	\$ 316,623	\$ 2,119,041
Restricted Cash	75,000	-	-	75,000
Total	<u>\$ 1,762,343</u>	<u>\$ 115,075</u>	<u>\$ 316,623</u>	<u>\$ 2,194,041</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 \$2,194,041 and the bank balance was \$2,264,959. 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 \$2,014,959 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, which is fully 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 4 CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Net Additions (Deletions)</b>	<b>Ending Balance</b>
Machinery and equipment	\$ 592,137	\$ 2,819	\$ 594,956
Less Accumulated depreciation	<u>(364,786)</u>	<u>(86,562)</u>	<u>(451,348)</u>
Capital assets, net	<u>\$ 227,351</u>	<u>\$ (83,743)</u>	<u>\$ 143,608</u>
<b><u>Business-Type Activities</u></b>			
Machinery and equipment	\$ 33,796	\$ 5,868	\$ 39,664
Less Accumulated depreciation	<u>(20,378)</u>	<u>(6,021)</u>	<u>(26,399)</u>
Capital assets, net	<u>\$ 13,418</u>	<u>\$ (153)</u>	<u>\$ 13,265</u>

**NOTE 5 NONCURRENT LIABILITIES**

During the fiscal year ended June 30, 2018, noncurrent liabilities reported in the *Statement of Net Position* are as follow:

<b>Noncurrent Liabilities</b>	Balance at June 30, 2017	Additions	Maturities/ Payments	Balance at June 30, 2018	Due within One Year
Compensated absences	\$ 222,197	\$ -	\$ (6,882)	\$ 215,315	\$ 21,532
Net Pension Liability	<u>6,157,822</u>	<u>1,541,651</u>	<u>(3,433,921)</u>	<u>4,265,552</u>	<u>191,829</u>
Total	<u>\$ 6,380,019</u>	<u>\$ 1,541,651</u>	<u>\$ (3,440,803)</u>	<u>\$ 4,480,867</u>	<u>\$ 213,361</u>

**NOTE 6 NET POSITION**

As of June 30, 2018, business-type activities net position did not have any capital assets or restrictions, while governmental activities net position consisted of the following components:

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

Capital assets, net	\$ 143,608
Less: Long-Term obligations	<u>-</u>
	143,608

**UNRESTRICTED**

Net position not restricted above	<u>(2,409,253)</u>
<b>NET POSITION</b>	<u>\$ (2,265,645)</u>

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 6 NET POSITION - CONTINUED**

The Charter School has an unrestricted deficit of (\$2,265,645) as of June 30, 2018. This deficit was caused by the recognition of the share in the net pension liability of \$3,402,992 in fiscal year 2015.

**NOTE 7 PENSIONS 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.

**i. Teachers Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund 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 Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers.

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**A. Description of Plans - Continued**

**ii. Public Employees' Retirement System (PERS)**

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

**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.

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

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**B. Vesting and Benefit Provisions - Continued**

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

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

**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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS 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 \$169,753. In addition, for fiscal year 2018, the Charter School contributed \$3,897 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 \$951,516. In addition, for fiscal year 2018, the State of New Jersey contributed \$2,616 for TPAF LTDI.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$268,992 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.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 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 \$4,265,552 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 0.0183240766% which is a decrease from the proportionate share of 0.0207914194% at June 30, 2017.

For the year ended June 30, 2018, the Charter School recognized PERS pension expense of \$418,040. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 100,439	\$ -
Changes of assumptions	859,362	856,211
Net difference between projected and actual earnings on pension plan investments	29,046	-
Change in proportion and differences between Charter School contributions and proportionate share contributions	552,804	439,766
	<u>\$ 1,541,651</u>	<u>\$ 1,295,977</u>

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS – CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees’ Retirement System - continued**

The 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 <u>June 30,</u>
2019	\$ 260,097
2020	315,867
2021	64,012
2022	(228,112)
2023	(166,190)

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

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS – CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System - 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, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

*Long-term Expected Rate of Return.* In accordance with 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:

<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	8.25%	13.08%
Total	<u>100.00%</u>	

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System – continued**

*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.

*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:

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
Charter School's proportionate share of the net pension liability	\$ 5,291,707	\$ 4,265,552	\$ 3,410,638

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

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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**

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 \$22,818,810. 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 \$1,580,722 in the Charter school-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

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 nonemployer 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 the Charter School was 0.03384439480% and 0.0310683479%.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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 – continued**

*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 percent
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 measurement date) 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 TPAF's target asset allocation as of June 30, 2017 measurement date, are summarized in the following table:

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**ii. Teachers Pension and Annuity Fund – 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	8.25%	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 made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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**

*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:

	<b>1% Decrease (3.25%)</b>	<b>Current Discount Rate (4.25%)</b>	<b>1% Increase (5.25%)</b>
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 27,208,616</u>	<u>\$ 22,818,810</u>	<u>\$ 19,354,684</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 TPAF and the 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.

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)).

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8 POST- RETIREMENT BENEFITS - CONTINUED**

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:

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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
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**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 measurement date. 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% based on years of service	2.15% - 4.15% based on age	2.10% - 8.98% based on age
Thereafter	2.00% - 5.45% based on years of service	3.15% - 5.15% based on age	3.10% - 9.98% based on age

Pre-retirement 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. Post-retirement 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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8 POST- RETIREMENT BENEFITS - CONTINUED**

(b) Discount rate

The discount rate 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 State's Proportionate Share in the Total OPEB Liability Attributable to the Charter School retirees:

Balance at 6/30/16 measurement date	\$	7,378,397
Changes for the year		
Service cost		1,037,607
Interest		237,588
Changes in assumptions and other inputs		(1,306,968)
Benefit payments		(166,450)
Contributions from the member		<u>6,129</u>
Net Change		(192,094)
Balance at 6/30/17 measurement date	\$	<u><u>7,186,303</u></u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* 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 a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	\$ <u>8,530,660</u>	\$ <u>7,186,303</u>	\$ <u>6,119,946</u>

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8 POST- RETIREMENT BENEFITS - CONTINUED**

*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:

	<u>1% Decrease</u>	<u>Current Health Cost Trend Rate</u>	<u>1% Increase</u>
Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	\$ 5,910,040	\$ 7,186,303	\$ 8,881,166

**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 \$1,199,957 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 the Charter School's retired employees' OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ (849,895)
Changes in proportion	291,982	-
	<u>\$ 291,982</u>	<u>\$ (849,895)</u>

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8 POST- RETIREMENT BENEFITS - CONTINUED**

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

	Year Ended June 30
2019	\$ (65,329)
2020	(65,329)
2021	(65,329)
2022	(65,329)
2023	(65,329)
Thereafter	(231,268)

**NOTE 9 DEFINED CONTRIBUTION RETIREMENT PROGRAM (DCRP)**

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

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

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits, and post-retirement medical premiums.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**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 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 for the current and the past two years:

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017-18	\$ 23,869	\$ 11,951	\$ 40,391	\$ (361)
2016-17	28,212	16,189	41,247	4,210

**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 Assets.

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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

At June 30, 2018, the interfund balances consisted of the following components:

	RECEIVABLE (PAYABLE)			
	General	Special	Enterprise	Fiduciary
	Fund	Revenue Fund	Fund	Fund
General fund	\$ 43,273	\$ -	\$ 113	\$ (43,386)
GASB No 34 mandated eliminations within governmental activities	-	-	-	-
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ 43,273</u>	<u>\$ -</u>	<u>\$ 113</u>	
External (Due from Trust and Agency Funds)				<u>\$ (43,386)</u>

**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 RENTAL LEASE**

As of the end of the school year, June 30, 2018, the Charter School was under four separate lease obligations expiring August 31, 2018. Rent expense for the year ended June 30, 2018 amounted to \$742,236.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

**BUDGETARY COMPARISON SCHEDULES**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE**

YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>Revenues</b>					
Local Sources:					
Local tax levy	\$ 1,154,168	\$ -	\$ 1,154,168	\$ 1,154,168	\$ -
Miscellaneous	-	-	-	12,948	12,948
Total revenues - local sources	<u>1,154,168</u>	<u>-</u>	<u>1,154,168</u>	<u>1,167,116</u>	<u>12,948</u>
State Sources:					
Equalization aid	6,403,167	-	6,403,167	6,403,167	-
Special education categorical aid	100,275	-	100,275	100,275	-
Security aid	222,533	-	222,533	222,533	-
Adjustment aid	788,356	-	788,356	788,356	-
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	268,992	268,992
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	578,120	578,120
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	373,396	373,396
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	-	-	-	2,616	2,616
Total revenues - State sources	<u>7,514,331</u>	<u>-</u>	<u>7,514,331</u>	<u>8,737,455</u>	<u>1,223,124</u>
Total revenues	<u>8,668,499</u>	<u>-</u>	<u>8,668,499</u>	<u>9,904,571</u>	<u>1,236,072</u>
<b>Expenditures</b>					
Current expense:					
Instruction					
Salaries of teachers	2,013,372	(114,838)	1,898,534	1,896,655	1,879
Other salaries for instruction	1,287,506	(90,473)	1,197,033	1,197,033	-
Professional/technical service	150,000	(123,470)	26,530	26,530	-
Other purchased services	80,000	(12,192)	67,808	67,808	-
General supplies	155,371	7,878	163,249	161,296	1,953
Textbooks	30,000	(22,554)	7,446	7,446	-
Miscellaneous	27,849	(24,610)	3,239	2,996	243
Total instruction	<u>3,744,098</u>	<u>(380,259)</u>	<u>3,363,839</u>	<u>3,359,764</u>	<u>4,075</u>
Administrative cost					
Salaries	1,675,557	9,348	1,684,905	1,684,905	-
Total benefit costs	1,407,497	397,701	1,805,198	1,805,198	-
Professional/technical service	48,000	(10,000)	38,000	32,339	5,661
Other purchased services	42,000	(10,500)	31,500	19,900	11,600
Communications and telephones	57,000	49,500	106,500	94,721	11,779
Supplies and materials	50,000	(11,000)	39,000	36,583	2,417
Miscellaneous	28,000	(9,000)	19,000	16,963	2,037
Total administrative cost	<u>3,308,054</u>	<u>416,049</u>	<u>3,724,103</u>	<u>3,690,609</u>	<u>33,494</u>
Support services					
Salaries	722,305	(36,639)	685,666	682,765	2,901
Purchased professional/technical service	131,500	44,970	176,470	176,470	-
Other purchased services	252,000	(53,378)	198,622	198,622	-
Rent on land and buildings	742,233	3	742,236	742,236	-
Insurance-fidelity, liability, property	51,000	1,741	52,741	52,741	-
Supplies and materials	40,000	906	40,906	40,599	307
Transportation-other than to/from school	8,000	7,353	15,353	15,353	-
Utilities	65,004	17,373	82,377	82,377	-
Miscellaneous	15,000	(3)	14,997	14,844	153
Total support services	<u>2,027,042</u>	<u>(17,674)</u>	<u>2,009,368</u>	<u>2,006,007</u>	<u>3,361</u>

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Instructional equipment	20,000	(18,116)	1,884	-	1,884
Non-instructional equipment	10,000	-	10,000	2,819	7,181
Total capital outlay	<u>30,000</u>	<u>(18,116)</u>	<u>11,884</u>	<u>2,819</u>	<u>9,065</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	268,992	(268,992)
On-behalf Teachers' Pension and Annuity Fund pension contributions (non-budgeted)	-	-	-	578,120	(578,120)
On-Behalf Teachers' Pension and Annuity Fund post-retirement medical (non-budgeted)	-	-	-	373,396	(373,396)
On-Behalf Teachers' Pension and Annuity Fund non-contributory insurance (non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,616</u>	<u>(2,616)</u>
Total expenditures before other financing uses	<u>9,109,194</u>	<u>-</u>	<u>9,109,194</u>	<u>10,282,323</u>	<u>(1,173,129)</u>
Excess of expenditures and other financing uses over revenues	(440,695)	-	(440,695)	(377,752)	62,943
Fund balances at beginning of the year	<u>2,052,629</u>	<u>-</u>	<u>2,052,629</u>	<u>2,052,629</u>	<u>-</u>
Fund balances at ending of the year	<u>\$ 1,611,934</u>	<u>\$ -</u>	<u>\$ 1,611,934</u>	<u>\$ 1,674,877</u>	<u>\$ 62,943</u>

MARIA L. VARISCO ROGERS CHARTER SCHOOL  
(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
<b>Revenues</b>					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	536,287	10,023	546,310	546,310	-
Total revenues - all sources	<u>536,287</u>	<u>10,023</u>	<u>546,310</u>	<u>546,310</u>	<u>-</u>
<b>Expenditures</b>					
Current Expenditures:					
Instruction:					
Salaries of teachers	312,409	(28,827)	283,582	283,582	-
Employee benefits	87,474	(5,074)	82,400	82,400	-
Other salaries for instruction	-	8,846	8,846	8,846	-
Purchased professional and technical services	53,760	15,990	69,750	69,750	-
Supplies and materials	21,126	34,065	55,191	55,191	-
Total instruction	<u>474,769</u>	<u>25,000</u>	<u>499,769</u>	<u>499,769</u>	<u>-</u>
Support services					
Purchased professional educational services	60,518	(14,977)	45,541	45,541	-
Miscellaneous expenditures	1,000	-	1,000	1,000	-
Total support services	<u>61,518</u>	<u>(14,977)</u>	<u>46,541</u>	<u>46,541</u>	<u>-</u>
Excess revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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>
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1]	\$ 9,904,571	[C-2]	500,487
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>9,904,571</u>	[B-2]	<u>500,487</u>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	10,282,323	[C-2]	500,487
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>\$ 10,282,323</u>	[B-2]	<u>\$ 500,487</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)**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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)	0.0183240766%	0.0207914194%	0.0201653585%	0.0181757183%
Charter School's proportionate share of the net pension liability (asset)	\$ 4,265,552	\$ 6,157,822	\$ 4,526,719	\$ 2,705,757
Charter School's covered-employee payroll	1,791,403	1,432,423	\$ 1,549,524	\$ 1,308,708
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	238%	430%	292%	207%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	39.91%	47.92%	52.08%

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 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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	\$ 169,753	\$ 184,708	\$ 173,368	\$ 149,838
Contributions in relation to the contractually required contribution	<u>(169,753)</u>	<u>(184,708)</u>	<u>(173,368)</u>	<u>(149,838)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	1,791,403	1,432,423	\$ 1,549,524	\$ 1,308,708
Contributions as a percentage of covered-employee payroll	9.48%	12.89%	11.19%	11.45%

(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.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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>
State's proportionate share of the net pension liability (asset) attributable to Charter School	0.0338439480%	0.0310683479%	0.0300712160%	0.0218223811%
State's proportionate share of the net pension liability (asset) attributable to Charter School	\$ 22,818,810	\$ 24,440,341	\$ 19,006,293	\$ 11,663,352
Charter School's covered-employee payroll	\$ 4,242,684	\$ 4,132,058	\$ 3,138,397	\$ 3,168,937
State's proportionate share of the net pension liability (asset) attributable to Charter School as a percentage of its covered-employee payroll	537.84%	591.48%	605.61%	368.05%
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 the fiscal year was 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)**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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>
Total State OPEB Liability Attributable to Charter School	
Service cost	\$ 1,037,607
Interest	237,588
Changes in assumptions and other inputs	(1,306,968)
Benefit payments	6,129
Contributions from the member	<u>(166,450)</u>
Net Change in Total State OPEB Liability Attributable to Charter School	(192,094)
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School Retirees	
At beginning of year	\$ 7,378,397
At end of year	<u>\$ 7,186,303</u>
Charter School's proportionate share of the Total OPEB Liability	0%
Charter School Covered-employee payroll <sup>(2)</sup>	\$ 6,034,087
Total State OPEB liability as a percentage of Charter School covered-employee payroll	119.10%

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**

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO 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 is 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 Bon Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND**

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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	Total
<b>Revenues</b>					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	409,539	16,095	102,795	17,881	546,310
Total revenues - all sources	<u>409,539</u>	<u>16,095</u>	<u>102,795</u>	<u>17,881</u>	<u>546,310</u>
<b>Expenditures</b>					
Current Expenditures:					
Instruction					
Salaries of teachers	205,572	-	78,010	-	283,582
Employee benefits	60,558	-	21,842	-	82,400
Other salaries for instruction	8,846	-	-	-	8,846
Purchased professional and technical services	69,750	-	-	-	69,750
Supplies and materials	48,136	-	1,000	6,055	55,191
Total instruction	<u>392,862</u>	<u>-</u>	<u>100,852</u>	<u>6,055</u>	<u>499,769</u>
Support services					
Purchased professional educational services	15,677	16,095	1,943	11,826	45,541
Miscellaneous	1,000	-	-	-	1,000
Total support services	<u>16,677</u>	<u>16,095</u>	<u>1,943</u>	<u>11,826.00</u>	<u>46,541</u>
Total expenditures	<u>\$ 409,539</u>	<u>\$ 16,095</u>	<u>\$ 102,795</u>	<u>\$ 17,881</u>	<u>\$ 546,310</u>

## **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.

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 89,696	\$ 25,379	\$ 115,075
Interfund receivable - General fund		113	113
Accounts receivable:			
Federal	-	64,116	64,116
State	-	782	782
Total accounts receivable	<u>-</u>	<u>64,898</u>	<u>64,898</u>
Capital assets			
Machinery and equipment	-	39,664	39,664
Less: Accumulated depreciation	<u>-</u>	<u>(26,399)</u>	<u>(26,399)</u>
Net capital assets	<u>-</u>	<u>13,265</u>	<u>13,265</u>
Total Assets	<u>\$ 89,696</u>	<u>\$ 103,655</u>	<u>\$ 193,351</u>
<b>Liabilities</b>			
Current liabilities			
Accounts Payable	<u>\$ -</u>	<u>\$ 42,288</u>	<u>\$ 42,288</u>
<b>Net assets</b>			
Unrestricted	<u>89,696</u>	<u>61,367</u>	<u>151,063</u>
Total Liabilities and Net Position	<u>\$ 89,696</u>	<u>\$ 103,655</u>	<u>\$ 193,351</u>

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

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

YEAR ENDED JUNE 30, 2018

	AFTER CARE	FOOD SERVICE	TOTAL
Operating revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ -	\$ 14,890	\$ 14,890
Daily sales - reimbursable programs	-	14,741	14,741
After care tuition	<u>27,752</u>	<u>-</u>	<u>27,752</u>
Total Operating revenues	<u>27,752</u>	<u>29,631</u>	<u>57,383</u>
Operating expenses:			
Salaries	9,176	21,668	30,844
Employee benefits	767	1,559	2,326
Space cost	-	34,730	34,730
Purchased technical services	-	213,574	213,574
Supplies and materials - reimbursable programs	-	279,099	279,099
Supplies and materials - nonreimbursable programs	-	7,627	7,627
Equipment	-	23,142	23,142
Depreciation	-	6,021	6,021
Miscellaneous	<u>-</u>	<u>25,132</u>	<u>25,132</u>
Total operating expenses	<u>9,943</u>	<u>612,552</u>	<u>622,495</u>
Operating income (loss)	<u>17,809</u>	<u>(582,921)</u>	<u>(565,112)</u>
Nonoperating revenues:			
State sources:			
State School Lunch Program	-	4,733	4,733
Federal sources:			
National School Lunch Program	-	261,652	261,652
National School Breakfast Program	-	103,261	103,261
After School Snacks Program	-	3,148	3,148
Fresh fruits and Vegetables Program	<u>-</u>	<u>29,865</u>	<u>29,865</u>
Total nonoperating revenues	<u>-</u>	<u>402,659</u>	<u>402,659</u>
Changes in net position	17,809	(180,262)	(162,453)
Total net position at beginning of year	<u>71,887</u>	<u>241,629</u>	<u>313,516</u>
Total net position at end of year	<u>\$ 89,696</u>	<u>\$ 61,367</u>	<u>\$ 151,063</u>

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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>
<b>Cash flows from operating activities</b>			
Operating income (loss)	\$ 17,809	\$ (582,921)	\$ (565,112)
Adjustment to reconcile operating loss to net cash from operating activities			
Depreciation expense	-	6,021	6,021
Changes in assets and liabilities:			
Accounts receivable	-	(37,415)	(37,415)
Accounts payable	-	24,165	24,165
Interfund receivable	-	(113)	(113)
Net cash from operating activities	<u>17,809</u>	<u>(590,263)</u>	<u>(572,454)</u>
<b>Cash flows from noncapital financing activities</b>			
Cash received from state and federal reimbursements	<u>-</u>	<u>402,659</u>	<u>402,659</u>
Net cash from noncapital financing activities	-	402,659	402,659
<b>Cash flows from investing activities</b>			
Purchase of equipment	<u>-</u>	<u>(5,868)</u>	<u>(5,868)</u>
Net increase in cash and cash equivalents	17,809	(193,472)	(175,663)
Cash and cash equivalents at beginning of the year	<u>71,887</u>	<u>218,851</u>	<u>290,738</u>
Cash and cash equivalents at end of the year	<u>\$ 89,696</u>	<u>\$ 25,379</u>	<u>\$ 115,075</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.

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2018

	New Jersey Unemployment Benefits	Agency			Total
		Student Activities	Net Payroll	Payroll Agency	
<b>Assets</b>					
Cash and cash equivalents	\$ 2,297	\$ 18,671	\$ 264,117	\$ 49,777	\$ 332,565
<b>Liabilities and fund balances</b>					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ -	\$ 11,492	\$ 11,492
Accounts payable	2,658	-	-	-	-
Summer pay payable	-	-	256,772	-	256,772
Due to student groups	-	18,671	-	-	18,671
Interfund payable	-	-	7,345	38,285	45,630
Total liabilities	2,658	18,671	264,117	49,777	332,565
<b>Net Position</b>					
Restricted					
Unemployment compensation	(361)	-	-	-	-
Total net assets	(361)	-	-	-	-
Total liabilities and net position	\$ 2,297	\$ 18,671	\$ 264,117	\$ 49,777	\$ 332,565

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

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

YEAR ENDED JUNE 30, 2018

	New Jersey Unemployment Benefits
	<u>                    </u>
Revenues:	
General fund appropriation	\$ 23,869
Employees' contributions	<u>11,951</u>
Total revenues	<u>35,820</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>40,391</u>
Total expenditures	<u>40,391</u>
Excess of expenditures over revenue	(4,571)
Net position at beginning of the year	<u>4,210</u>
Net position at end of year	<u>\$ (361)</u>

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2018

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 18,671	\$ 30,824	\$ 41,572	\$ 7,923
<b>Liabilities</b>				
Due to Student Groups	\$ 18,671	\$ 30,824	\$ 41,572	\$ 7,923

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2018

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 49,777	\$ 2,619,271	\$ 2,625,204	\$ 43,844
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ 11,492	\$ 2,619,152	\$ 2,625,204	\$ 5,440
Interfund payable	<u>38,285</u>	<u>119</u>	<u>-</u>	<u>38,404</u>
Total Liabilities	<u>\$ 49,777</u>	<u>\$ 2,619,271</u>	<u>\$ 2,625,204</u>	<u>\$ 43,844</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. The Charter School has no long-term debts.

# **STATISTICAL SECTION (UNAUDITED)**

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

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**INTRODUCTION TO THE STATISTICAL SECTION**

<b><u>Contents</u></b>		<b><u>Page</u></b>
<b>Financial Trends</b>	These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	<b>88</b>
<b>Revenue Capacity</b>	These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	<b>N/A</b>
<b>Debt Capacity</b>	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.	<b>N/A</b>
<b>Demographic and Economic Information</b>	These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	<b>89</b>
<b>Operating Information</b>	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.	<b>91</b>
<b>Notes</b>	<p>1 Unless the otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year.</p> <p>2 GASB requires presentation of certain statistical information for the last ten fiscal years. However, fiscal year ended June 30, 2009 is the first operating year of the Charter School. Therefore, schedules presenting charter-wide information beginning of that year.</p>	

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

NET POSITION BY COMPONENT  
Last Ten Fiscal Years \*\*

(Accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Invested in capital assets, net of related debt	\$ 143,608	\$ 227,351	\$ 331,489	\$ 164,006	\$ 170,892	\$ 150,394	\$ 46,349	\$ 26,846	\$ -	**
Restricted	-	-	-	-	-	-	-	-	-	**
Unrestricted	<u>(2,560,316)</u>	<u>(1,941,159)</u>	<u>(1,163,753)</u>	<u>507,741</u>	<u>3,659,953</u>	<u>3,370,865</u>	<u>3,746,416</u>	<u>3,081,382</u>	<u>1,807,747</u>	**
Total governmental activities net position	<u>\$ (2,416,708)</u>	<u>\$ (1,713,808)</u>	<u>\$ (832,264)</u>	<u>\$ 671,747</u>	<u>\$ 3,830,845</u>	<u>\$ 3,521,259</u>	<u>\$ 3,792,765</u>	<u>\$ 3,108,228</u>	<u>\$ 1,807,747</u>	**
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	**
Restricted	-	-	-	-	-	-	-	-	-	**
Unrestricted	<u>151,063</u>	<u>313,514</u>	<u>290,345</u>	<u>267,823</u>	<u>260,185</u>	<u>220,540</u>	<u>148,825</u>	<u>65,554</u>	<u>14,307</u>	**
Total business-type activities net position	<u>\$ 151,063</u>	<u>\$ 313,514</u>	<u>\$ 290,345</u>	<u>\$ 267,823</u>	<u>\$ 260,185</u>	<u>\$ 220,540</u>	<u>\$ 148,825</u>	<u>\$ 65,554</u>	<u>\$ 14,307</u>	**
Charter School-wide										
Invested in capital assets, net of related debt	\$ 143,608	\$ 227,351	\$ 331,489	\$ 164,006	\$ 170,892	\$ 150,394	\$ 46,349	\$ 26,846	\$ -	**
Restricted	-	-	-	-	-	-	-	-	-	**
Unrestricted	<u>(2,409,253)</u>	<u>(1,627,645)</u>	<u>(873,408)</u>	<u>775,564</u>	<u>3,920,138</u>	<u>3,591,405</u>	<u>3,895,241</u>	<u>3,146,936</u>	<u>1,822,054</u>	**
Total charter school-wide net position	<u>\$ (2,265,645)</u>	<u>\$ (1,400,294)</u>	<u>\$ (541,919)</u>	<u>\$ 939,570</u>	<u>\$ 4,091,030</u>	<u>\$ 3,741,799</u>	<u>\$ 3,941,590</u>	<u>\$ 3,173,782</u>	<u>\$ 1,822,054</u>	**

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

**CHANGES IN NET POSITION**

Last Ten Fiscal Years \*\*

(Accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities										
Instruction	\$ 6,959,411	\$ 6,824,517	\$ 5,583,188	\$ 4,912,501	\$ 4,507,212	\$ 4,485,792	\$ 3,484,798	\$ 2,701,849	\$ 1,818,727	**
Administration	3,573,687	3,068,730	2,365,545	1,936,850	2,005,572	1,786,143	1,333,796	1,003,907	1,117,488	**
Support Services	2,736,680	2,501,871	2,540,298	2,354,309	2,115,331	1,965,864	1,600,824	921,819	667,124	**
Capital Outlay	-	-	70,806	50,052	9,378	16,199	187,017	98,814	135,761	**
Unallocated depreciation	86,562	104,138	73,876	54,509	43,361	21,813	8,957	4,116	707	**
Total governmental activities expenses	<u>13,356,340</u>	<u>12,499,256</u>	<u>10,633,713</u>	<u>9,308,221</u>	<u>8,680,854</u>	<u>8,275,811</u>	<u>6,615,392</u>	<u>4,730,505</u>	<u>3,739,807</u>	
Business-type activities:										
Food service	612,552	391,197	322,689	382,788	338,623	231,816	249,287	192,489	187,550	**
After care	9,943	13,915	39,385	46,562	57,739	93,618	28,236	-	-	**
Total business-type activities expense	<u>622,495</u>	<u>405,112</u>	<u>362,074</u>	<u>429,350</u>	<u>396,362</u>	<u>325,434</u>	<u>277,523</u>	<u>192,489</u>	<u>187,550</u>	**
Total charter school-wide expenses	<u>13,978,835</u>	<u>12,904,368</u>	<u>10,995,787</u>	<u>9,737,571</u>	<u>9,077,216</u>	<u>8,601,245</u>	<u>6,892,915</u>	<u>4,922,994</u>	<u>3,927,357</u>	**
<b>Program Revenues</b>										
Governmental activities:										
Operating grants and contributions	3,971,993	2,940,773	116,950	103,987	100,042	93,219	65,989	(16,515)	-	**
Capital grants and contributions	-	-	-	-	-	-	-	-	-	**
Total governmental activities program revenues	<u>3,971,993</u>	<u>2,940,773</u>	<u>116,950</u>	<u>103,987</u>	<u>100,042</u>	<u>93,219</u>	<u>65,989</u>	<u>(16,515)</u>	<u>-</u>	**
Business-type activities:										
Charges for services	57,383	54,040	43,566	96,050	81,863	89,546	29,003	44,877	15,962	**
Operating grants and contributions	402,659	374,242	341,030	354,684	342,699	287,925	269,067	198,859	185,895	**
Transfers-in	-	-	-	54,286	68,032	56,587	62,723	-	-	**
Total business-type activities program revenues	<u>460,042</u>	<u>428,282</u>	<u>384,596</u>	<u>505,020</u>	<u>492,594</u>	<u>434,058</u>	<u>360,793</u>	<u>243,736</u>	<u>201,857</u>	**
Total charter school program revenues	<u>4,432,035</u>	<u>3,369,055</u>	<u>501,546</u>	<u>609,007</u>	<u>592,636</u>	<u>527,277</u>	<u>426,782</u>	<u>227,221</u>	<u>201,857</u>	**
<b>Net (Expense)/Revenue</b>										
Governmental activities	(9,384,347)	(9,558,483)	(10,516,763)	(9,204,234)	(8,580,812)	(8,182,592)	(6,549,403)	(4,747,020)	(3,739,807)	**
Business-type activities	(162,453)	23,170	22,522	75,670	96,232	108,624	83,270	51,247	14,307	**
Total charter school-wide net expense	<u>(9,546,800)</u>	<u>(9,535,313)</u>	<u>(10,494,241)</u>	<u>(9,128,564)</u>	<u>(8,484,580)</u>	<u>(8,073,968)</u>	<u>(6,466,133)</u>	<u>(4,695,773)</u>	<u>(3,725,500)</u>	**
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
General purposes, net	1,154,168	1,014,869	1,038,007	1,039,083	1,050,419	919,732	780,823	637,349	-	**
Federal and State Aid Not Restricted	7,514,331	7,660,479	7,971,728	7,831,084	7,836,347	6,969,011	6,402,127	5,367,483	4,226,462	**
Miscellaneous income	12,948	1,591	3,017	25,097	3,631	22,343	46,940	43,486	571,927	**
Transfers	-	-	-	-	-	-	-	-	-	**
Total governmental activities	<u>8,681,447</u>	<u>8,676,939</u>	<u>9,012,752</u>	<u>8,895,264</u>	<u>8,890,397</u>	<u>7,911,086</u>	<u>7,229,890</u>	<u>6,048,318</u>	<u>4,798,389</u>	**
Business-type activities:										
Miscellaneous	-	-	-	-	-	25,814	-	-	-	**
Transfers	-	-	-	-	-	-	-	-	-	**
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	**
Total charter school-wide	<u>8,681,447</u>	<u>8,676,939</u>	<u>9,012,752</u>	<u>8,895,264</u>	<u>8,890,397</u>	<u>7,936,900</u>	<u>7,229,890</u>	<u>6,048,318</u>	<u>4,798,389</u>	**
<b>Changes in Net Position</b>										
Governmental activities	(702,900)	(881,544)	(1,504,011)	(308,970)	309,585	(271,506)	680,487	1,301,298	1,058,582	**
Business-type activities	(162,453)	23,170	22,522	75,670	96,232	134,438	83,270	51,247	14,307	**
Total charter school	<u>\$ (865,353)</u>	<u>\$ (858,374)</u>	<u>\$ (1,481,489)</u>	<u>\$ (233,300)</u>	<u>\$ 405,817</u>	<u>\$ (137,068)</u>	<u>\$ 763,757</u>	<u>\$ 1,352,545</u>	<u>\$ 1,072,889</u>	**

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years \*\*

(Modified accrual basis of accounting)

	2018	2017	2016	2015	Fiscal Year Ended June 30,		2012	2011	2010	2009
					2014	2013				
General Fund										
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	**
Unassigned	1,674,877	2,052,629	1,972,145	3,357,869	3,659,953	3,370,865	3,746,416	3,081,382	1,807,747	**
Total general fund	<u>1,674,877</u>	<u>2,052,629</u>	<u>1,972,145</u>	<u>3,357,869</u>	<u>3,659,953</u>	<u>3,370,865</u>	<u>3,746,416</u>	<u>3,081,382</u>	<u>1,807,747</u>	**
All Other Governmental Funds										
Assigned	-	-	-	-	-	-	-	-	-	**
Unassigned, reported in:										**
Special revenue fund	-	-	-	-	-	-	-	-	-	**
Capital projects fund	-	-	-	-	-	-	-	-	-	**
Debt service fund	-	-	-	-	-	-	-	-	-	**
Permanent fund	-	-	-	-	-	-	-	-	-	**
Total all other governmental funds	<u>\$ 1,674,877</u>	<u>\$2,052,629</u>	<u>\$ 1,972,145</u>	<u>\$ 3,357,869</u>	<u>\$ 3,659,953</u>	<u>\$ 3,370,865</u>	<u>\$ 3,746,416</u>	<u>\$ 3,081,382</u>	<u>\$ 1,807,747</u>	**

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(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
<b>Revenues</b>										
Local Sources:										
Local tax levy	\$ 1,154,168	\$ 1,014,869	\$ 1,050,295	\$ 1,039,083	\$ 1,050,419	\$ 919,732	\$ 784,871	\$ 637,349	\$ 494,911	**
Miscellaneous	12,948	1,591	3,017	25,097	3,631	22,343	46,942	156,623	187,052	**
State sources	8,737,455	8,645,091	7,562,546	7,418,566	7,415,728	6,629,563	5,990,613	4,796,093	3,734,652	**
Federal sources	546,310	500,487	513,844	516,505	520,662	432,668	477,503	444,839	384,875	**
Total Revenues	<u>10,450,881</u>	<u>10,162,038</u>	<u>9,129,702</u>	<u>8,999,251</u>	<u>8,990,440</u>	<u>8,004,306</u>	<u>7,299,929</u>	<u>6,034,904</u>	<u>4,801,490</u>	**
<b>Current Expense</b>										
Instruction	3,859,533	3,889,666	4,137,198	3,690,323	3,446,360	3,441,398	2,761,742	2,075,641	1,818,727	**
Administrative cost	3,690,609	3,316,725	3,912,436	3,500,277	3,296,717	2,973,342	2,160,475	1,692,051	1,117,488	**
Support services	2,052,548	1,890,551	2,153,627	2,013,060	1,885,038	1,823,059	1,497,201	859,883	667,124	**
Capital outlay	2,819	-	312,165	97,675	73,238	142,058	215,477	126,545	136,468	**
TPAF - FICA Reimbursement	268,992	283,889	-	-	-	-	-	-	-	**
TPAF - On-behalf payments	954,132	700,723	-	-	-	-	-	-	-	**
Total Expenditures	<u>10,828,633</u>	<u>10,081,554</u>	<u>10,515,426</u>	<u>9,301,335</u>	<u>8,701,353</u>	<u>8,379,857</u>	<u>6,634,895</u>	<u>4,754,120</u>	<u>3,739,807</u>	**
Excess (Deficiency) of Revenues										
Over Expenditures	(377,752)	80,484	(1,385,724)	(302,084)	289,087	(375,551)	665,034	1,280,784	1,061,683	**
Other financing sources(uses):										
Operating transfers in/(out)	-	-	-	-	-	-	-	(7,149)	-	**
Total other financing sources/(uses)	-	-	-	-	-	-	-	(7,149)	-	**
Net change in fund balances	\$ (377,752)	\$ 80,484	\$ (1,385,724)	\$ (302,084)	\$ 289,087	\$ (375,551)	\$ 665,034	\$ 1,273,635	\$ 1,061,683	**
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
Last Ten Fiscal Years \*\*  
(Unaudited)**

<u>Year</u>	<u>Donations</u>	<u>Interest Income</u>	<u>Miscellaneous Revenue</u>	<u>Annual Total</u>
2018	\$ 7,155	\$ 541	\$ 5,252	\$ 12,948
2017	-	672	919	1,591
2016	-	1,017	2,000	3,017
2015	800	2,581	21,716	25,097
2014	557	2,966	108	3,631
2013	9,544	3,671	9,128	22,343
2012	35,537	7,673	3,732	46,942
2011	149,431	7,192	-	156,623
2010	183,005	4,047	-	187,052
2009	**	**	**	**

\*\* Data not available

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

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

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2018	**	**	**	**
2017	285,154	**	**	7.50%
2016	284,386	\$ 17,315,410,382	\$ 60,887	7.90%
2015	282,854	16,932,489,002	59,863	8.80%
2014	281,660	16,206,998,060	57,541	10.20%
2013	280,005	15,527,677,275	55,455	7.90%
2012	278,790	15,289,401,180	54,842	8.80%
2011	278,078	15,112,148,910	54,345	8.90%
2010	277,332	14,384,101,512	51,866	9.50%
2009	278,154	14,310,466,992	51,448	9.50%

\*\* Data not available

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2016 reflect county population estimates available as of March 2017

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

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

<u>Employer</u>	<u>2018</u>		<u>2015</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>
St. Barnabas Health Care System	23,000	**	-	
Verizon	17,100	**	18,000	**
Prudential Ins. Co. of America	16,850	**	8,119	**
Rutgers University - Newark Campus	15,500	**	-	
Continental Airlines	11,000	**	14,000	**
Newark Board of Education	7,050	**	-	
Automatic Data Processing	5,649	**	4,666	**
New Jersey Transit	4,000	**	-	
City of Newark	4,000	**	-	
Essex County	3,500	**	-	
PSE&G	-		10,300	**
JP Morgan Chase	-		5,300	**
Horizon Blue Cross/Blue Shield	-		4,808	**
Roche	-		3,715	**
KPMG	-		2,265	**
Ricoh American Corp	-		1,400	**
	<u>107,649</u>		<u>72,573</u>	

Note - Principal employers are that of Essex County

\*\* - Information not available

Source: Essex County Economic Development Corporation

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

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

<u>Function/Program</u>	<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	64	61	67	68	66	65	60	41	34	**
Administrative	16	16	14	15	17	15	14	9	9	**
Support Services	11	13	11	13	8	9	10	6	5	**
Food Service	<u>1</u>	<u>-</u>	**							
Total	<u>92</u>	<u>90</u>	<u>92</u>	<u>96</u>	<u>91</u>	<u>89</u>	<u>84</u>	<u>56</u>	<u>48</u>	**

Source: Charter School's personnel records

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years \*\*  
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary School	Middle School				
2018	547	\$ 10,828,633	\$ 19,796	-5.71%	N/A	N/A	N/A	546.6	523.6	1.21%	95.80%
2017	540	10,081,554	18,670	-11.07%	N/A	N/A	N/A	540.0	517.3	10.00%	95.80%
2016	486	10,203,261	20,994	10.86%	N/A	N/A	N/A	486.0	465.6	-0.99%	95.80%
2015	486	9,203,660	18,938	1.84%	N/A	N/A	N/A	490.8	470.2	5.64%	95.80%
2014	464	8,628,115	18,595	-0.45%	N/A	N/A	N/A	463.1	435.50	4.77%	94.04%
2013	441	8,237,799	18,680	6.50%	N/A	N/A	N/A	441.0	414.50	17.01%	93.99%
2012	366	6,419,418	17,539	9.90%	N/A	N/A	N/A	366.0	347.30	21.28%	94.89%
2011	290	4,628,282	15,960	0.00%	N/A	N/A	N/A	288.1	279.00	100.00%	96.84%
2010	**	**	**	**	**	**	**	**	**	**	**
2009	**	**	**	**	**	**	**	**	**	**	**

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).

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION  
Last Ten Fiscal Years \*\***

	<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>
<b><u>Charter School Buildings</u></b>										
18 Heller Parkway Grades 5 thru 8										
Square Feet	11,200	11,200	11,200	11,200	11,200	11,200	11,200	11,200	N/A	N/A
Capacity (students)	N/A									
Enrollment	240	240	216	216	216	194	366	290	N/A	N/A
243 Woodside Avenue Elementary & Kindergarten										
Square Feet	18,711	18,711	18,711	18,711	18,711	18,711	N/A	N/A	N/A	N/A
Capacity (students)	N/A									
Enrollment	307	300	270	270	270	270	N/A	N/A	N/A	N/A
381 Woodside Avenue Administrative Offices										
Square Feet	5,000	5,000	5,000	5,000	5,000	N/A	N/A	N/A	N/A	N/A
233 Woodside Avenue Administration & Computer Labs										
Square Feet	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400

**Source:** Charter School's Records

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**INSURANCE SCHEDULE**

**June 30, 2018  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
<b>Commercial General Liability - NJ School Insurance Group (NJSIG)</b>		
Personal and advertising injury		
Aggregate limit	\$ 6,000,000	
Per occurrence	6,000,000	
Employee benefits liability - per occurrence/annual aggregate	6,000,000	1,000
Child molestation/sexual abuse - per occurrence/annual aggregate	6,000,000/17,000,000	
Premises medical payments		
Per person	5,000	
Per accident	10,000	
<b>Commercial Property - NJSIG</b>		
Blanket real and personal property	450,000,000	1,000
Blanket extra expense - per occurrence	50,000,000	1,000
Blanket valuable papers and records	10,000,000	1,000
<b>Equipment Breakdown - NJSIG</b>		
Property Damage	100,000,000	1,000
Extra Expense	10,000,000	
<b>EDP Coverage - NJSIG</b>		
Blanket hardware - scheduled limit	500,000	1,000
<b>Business Automobile Coverage - NJSIG</b>		
Combined single limit for bodily injury and property damage		
Per accident/annual aggregate	6,000,000	
<b>Crime Coverage - NJSIG</b>		
Faithful performance limit	100,000	1,000
Board Administrator Bond	220,000	1,000
Board Secretary Bond	220,000	1,000
<b>Workman's Compensation - NJSIG</b>		
Statutory Benefits	Included	
Employers Liability (each disease/accident per employee and policy limit)	2,000,000	
Supplemental Coverage (Optional)	Included	
<b>School Board Legal Liability - NJSIG</b>		
Coverage A	6,000,000	5,000
Coverage B (each claim/policy period)	100,000/300,000	5,000

**Source:** Charter School's Records

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF MIDDLESEX, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK  
FINANCIAL PERFORMANCE  
FISCAL RATIOS

Multi-Year Information  
(Unaudited)

	2016 Audit	2017 Audit	2018 Audit	Source
Cash	\$ 1,878,555	\$ 2,135,590	\$ 1,877,918	Audit: Exhibit A-1
Current Assets	2,425,044	2,590,199	2,084,636	Audit: Exhibit A-1
Total Assets	2,767,812	2,830,968	2,241,509	Audit: Exhibit A-1
Current Liabilities	173,833	237,474	271,961	Audit: Exhibit A-1
Total Liabilities	4,700,552	6,617,493	4,752,828	Audit: Exhibit A-1
Net Assets	(541,919)	(1,400,294)	(2,265,645)	Audit: Exhibit A-1
Total Revenue	9,514,298	12,045,994	13,113,482	Audit: Exhibit A-2
Total Expenses	10,995,787	12,904,368	13,978,835	Audit: Exhibit A-2
Change in Net Assets	(1,481,489)	(858,374)	(865,353)	Audit: Exhibit A-2
Depreciation Expense	73,876	104,138	86,562	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	486	540	547	DOE Enrollment Reports
March 30th Budgeted Enrollment	500	540	540	Charter School Budget

		RATIOS ANALYSIS					
Near Term Indicators		2016	2017	2018	3 YR CUM	Source:	Target
1a.	Current Ratio	13.95	10.91	7.67	12.23	Current Assets/Current Liabilities	> 1.1
1b.	Unrestricted Days Cash	62.36	60.41	49.03	73.08	Cash/(Total Expenses/365)	30-60
1c.	Enrollment Variance	97%	100%	101%	149%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.	Default	No	No	No	No	Audit	not in default
Sustainability Indicators							
2a.	Total Margin	-16%	-7%	-7%	-9%	Change in Net Assets/Total Revenue	positive
2b.	Debt to Asset	1.70	2.34	2.12	1.31	Total Liabilities/Total Assets	<.9
2c.	Cash Flow	(1,821,876)	257,035	(257,672)	(1,822,513)	Net change in cash flow from prior years	3 yr cum positive
2d.	Debt Service Coverage Ratio	-	-	-	-	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>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  
Maria L. Varisco-Rogers Charter School  
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 Maria L. Varisco-Rogers Charter School (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 21, 2019.

**Internal Control Over Financial Reporting**

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

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

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

**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**

**Compliance and Other Matters**

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

However, we noted certain matters that we have reported to the Board of Trustees of the Maria L. Varisco-Rogers Charter School in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated February 21, 2019.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 21, 2019  
Cream Ridge, New Jersey

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

The Honorable President and  
Members of the Board of Trustees  
Maria L. Varisco-Rogers Charter School  
Middlesex County, New Jersey

**Report on Compliance for Each Major Federal and State Programs**

We have audited the Maria L. Varisco-Rogers Charter School's (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 *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.

**Auditors' 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 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 Letter Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on 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 Maria L. Varisco-Rogers Charter School, in the County of Essex, State of New Jersey, complied, in all material respects, with the 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.

### **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 the Uniform Guidance and New Jersey OMB Circular Letter 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 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 and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

**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 New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



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



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GALLEROS KOH LLP  
Certified Public Accountants

February 21, 2019  
Cream Ridge, New Jersey

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		
<b>U.S. Department of Education:</b>																
<b>Passed-through New Jersey State Department Education</b>																
<b>Special Revenue Fund:</b>																
Title I Part A Grants to Local Educational Agencies	84.010	S010A170030	NCLB - 7735 - 18	\$ 409,539	7/1/2017	6/30/2018	\$ -	\$ -	\$ 409,539	(409,539)	\$ -	\$ -	\$ -	\$ -		
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A170029	NCLB - 7735 - 18	16,095	7/1/2017	6/30/2018	-	-	16,095	(16,095)	-	-	-	-		
English Language Acquisition State Grants (Title III) Individuals with Disabilities	84.365	S365A170030	NCLB - 7735 - 18	17,881	7/1/2017	6/30/2018	-	-	17,881	(17,881)	-	-	-	-		
- States Grant	84.027	H027A170100	IDEA - 7735 - 18	102,795	7/1/2017	6/30/2018	-	-	102,795	(102,795)	-	-	-	-		
Total U.S. Department of Education							-	-	546,310	(546,310)	-	-	-	-		
<b>U.S. Department of Agriculture</b>																
<b>Passed-through New Jersey State Department of Agriculture</b>																
<b>Enterprise Fund:</b>																
National School Lunch Program	10.555	181NJ304N1099	N/A	261,652	10/1/2017	9/30/2018	-	-	217,973	(261,652)	-	(43,679)	-	-		
National School Lunch Program	10.555	171NJ304N1099	N/A	235,028	7/1/2016	6/30/2017	(15,365)	-	15,365	-	-	-	-	-		
National School Breakfast Program	10.553	181NJ304N1099	N/A	103,261	10/1/2017	9/30/2018	-	-	85,872	(103,261)	-	(17,389)	-	-		
National School Breakfast Program	10.553	171NJ304N1099	N/A	94,311	7/1/2016	6/30/2017	(4,723)	-	4,723	-	-	-	-	-		
National School Snack Program	10.555	181NJ304N1099	N/A	3,148	10/1/2017	9/30/2018	-	-	2,497	(3,148)	-	(651)	-	-		
National School Snack Program	10.555	171NJ304N1099	N/A	7,381	7/1/2016	6/30/2017	(178)	-	178	-	-	-	-	-		
Fresh Fruits and Vegetable Program	10.582	181NJ304L1603	N/A	29,865	10/1/2017	9/30/2018	-	-	27,468	(29,865)	-	(2,397)	-	-		
Fresh Fruits and Vegetable Program	10.582	171NJ304L1603	N/A	-	7/1/2016	6/30/2017	(6,939)	-	6,939	-	-	-	-	-		
Total U.S. Department of Agriculture							(27,205)	-	361,015	(397,926)	-	(64,116)	-	-		
<b>Total Expenditures of Federal Awards</b>							\$ (27,205)	\$ -	\$ 907,325	\$ (944,236)	\$ -	\$ (64,116)	\$ -	\$ -		

MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT K-4  
SCHEDULE B

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				Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2018				MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount	Intergovernmental (Accounts Receivable)				Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure		
<b>New Jersey State Department of Education</b>																
<b>General Fund:</b>																
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 6,403,167	\$ -	\$ -	\$ -	\$ 6,433,407	\$ (6,403,167)	\$ -	\$ (8,120)	\$ -	\$ 38,360	\$ 8,120	\$ 6,403,167		
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	6,132,312	(35,710)	-	-	35,710	-	-	-	-	-	-	-		
Special Education																
Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	100,275	-	-	-	100,275	(100,275)	-	-	-	-	-	100,275		
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	222,533	-	-	-	223,735	(222,533)	-	(217)	-	1,419	217	222,533		
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	788,356	-	-	-	775,980	(788,356)	-	(12,376)	-	-	12,376	788,356		
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	1,266,300	(9,252)	-	-	9,252	-	-	-	-	-	-	-		
Reimbursed Social Security Tax	18-495-034-5094-003	7/1/17-6/30/18	268,992	-	-	-	268,992	(268,992)	-	-	-	-	-	268,992		
On-Behalf Teachers' Pension and Annuity Fund	18-495-034-5094-002	7/1/17-6/30/18	578,120	-	-	-	578,120	(578,120)	-	-	-	-	-	578,120		
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	18-495-034-5094-001	7/1/17-6/30/18	373,396	-	-	-	373,396	(373,396)	-	-	-	-	-	373,396		
On-Behalf- Teachers' Pension & Annuity Fund – Non-contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	2,616	-	-	-	2,616	(2,616)	-	-	-	-	-	2,616		
<b>Total General Fund</b>				<u>(44,962)</u>	<u>-</u>	<u>-</u>	<u>8,801,483</u>	<u>(8,737,455)</u>	<u>-</u>	<u>(20,713)</u>	<u>-</u>	<u>39,779</u>	<u>20,713</u>	<u>8,737,455</u>		
<b>Enterprise Fund:</b>																
State School Lunch Program	17-100-010-3350-023	7/1/17-6/30/18	4,733	-	-	-	3,951	(4,733)	-	(782)	-	-	782	4,733		
State School Lunch Program	18-100-010-3350-023	7/1/16-6/30/17	4,554	(277)	-	-	277	-	-	-	-	-	-	-		
<b>Total Enterprise Fund</b>				<u>(277)</u>	<u>-</u>	<u>-</u>	<u>4,228</u>	<u>(4,733)</u>	<u>-</u>	<u>(782)</u>	<u>-</u>	<u>-</u>	<u>782</u>	<u>4,733</u>		
<b>Total Expenditures of State Financial Assistance</b>				<u>\$ (45,239)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,805,711</u>	<u>(8,742,188)</u>	<u>\$ -</u>	<u>\$ (21,495)</u>	<u>\$ -</u>	<u>\$ 39,779</u>	<u>\$ 21,495</u>	<u>\$ 8,742,188</u>		
<b>Less: On-Behalf TPAF Pension System Contributions</b>																
On-Behalf Teachers' Pension and Annuity Fund	18-495-034-5094-002							578,120								
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	18-495-034-5094-001							373,396								
On-Behalf- Teachers' Pension & Annuity Fund – Non-contributory Insurance	18-495-034-5094-004							2,616								
								954,132								
<b>Total for State Financial Assistance-Major Program Determination</b>								<u>\$ (7,788,056)</u>								

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

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

**FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance 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 Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the Board's basic financial statements. The basic financial statements present the special revenue fund on both 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 Board's basic financial statements on a GAAP basis as follows:

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

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

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 7,783,323	\$ 7,783,323
Special Revenue Fund	546,310	-	546,310
Enterprise Fund	397,926	4,733	402,659
Total	<u>\$ 944,236</u>	<u>\$ 7,788,056</u>	<u>\$ 8,732,292</u>

**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.

**NOTE 5 ON-BEHALF PAYMENTS**

TPAF Social Security Contributions represents reimbursements in the amount of \$268,992 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 pension contributions, post-retirement medical benefits and long-term disability insurance contributions totaling \$954,132.

**NOTE 6 ON BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF pension, post-retirement medical benefits and long-term disability insurance 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 7 DE MINIMIS INDIRECT COST**

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

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statement Section**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      Yes       None reported

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 auditors' 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 Uniform Guidance?      Yes       No

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Federal Program</u>
10.555	<i>Child Nutrition Cluster</i>
10.553	National School Lunch Program
	National School Breakfast Program

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**FISCAL YEAR ENDED JUNE 30, 2018**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**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 auditors' 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 New Jersey OMB Circular Letter 15-08?  Yes  No

**Identification of Major Programs:**

<u>State or Project No.</u>	<u>Name of State Program</u>
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

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**Internal Control Over Financial Reporting**

None noted.

**Compliance and Other Matters**

None noted.

**SECTION III - STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

There were no reportable financial statement findings.

**MARIA L. VARISCO-ROGERS CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS  
PREPARED BY MANAGEMENT**

**FISCAL YEAR ENDED JUNE 30, 2018**

There were no prior year findings.