

**OCEAN ACADEMY CHARTER SCHOOL**

Lakewood, New Jersey  
County of Ocean

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

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**OCEAN ACADEMY CHARTER SCHOOL**

**LAKESWOOD, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Prepared by**

**Ocean Academy Charter School  
Business Administrator's Office**

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**INTRODUCTORY SECTION**

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# Ocean Academy Charter School

**Location: 678 5th Street, Lakewood, NJ 08701 - Phone 732 987-6525**

**Mailing Address: 2360 Lakewood Rd., Suite 3, Box 203, Toms River, NJ 08755**

**An Ocean of Opportunities**

December 5, 2018

Honorable President and Members  
of the Board of Trustees  
Ocean Academy Charter School  
County of Ocean, New Jersey

Dear Board Members/Citizens:

The Comprehensive Annual Financial Report (CAFR) of the Ocean Academy 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 Ocean Academy Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to 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 charter school as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. All disclosures necessary to enable the reader to gain an understanding of the charter school's financial activities have been included.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

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

Introductory Section:

Section contains a Letter of Transmittal, Roster of Officials, Consultants and Advisors, and an Organizational Chart.

Financial Section:

Section contains the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information (RSI) and Other Supplementary Information.

Statistical Section:

Section contains selected financial trends, revenue and debt capacity, demographic, economic and other operating information, generally presented on a multi-year basis.

**REPORTING ENTITY AND ITS SERVICES**

The Ocean Academy Charter School is an independent reporting entity within the criteria adopted by the Governmental Accounting Standard Board (GASB) as established by NCGA Statement No. 3. All funds of Ocean Academy Charter School are included in this report. The Charter School has no component units.

The Charter School provides a full range of educational services appropriate to grade levels K through 2. The Charter School's enrollment, as of June 30<sup>th</sup>, for the current audit year are detailed below.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-2018	151	-%

**ECONOMIC CONDITION AND OUTLOOK**

The State of New Jersey continues to face serious budgetary constraints. This impacts the amount of state aid allocated to charter schools through the sending districts. This reality was taken into account when adopting the general state fund for 2017-18. Nothing was done to compromise the quality of the programs in place at Ocean Academy Charter School during the regular instructional day. The budget was prepared to ensure that all students have textbooks, materials, supplies, equipment, programs and staff they need to meet New Jersey's Core Curriculum Content Standard.

**MAJOR INITIATIVES**

Ocean Academy Charter School continues to focus on the school's mission. Ocean Academy Charter School's mission is to provide elementary students with a rigorous curriculum in a safe nurturing environment, so that all students achieve their highest level of academic success. This will be accomplished through the implementation of a rigorous curriculum differentiated to meet the needs of each student within a climate of high expectations. To fulfill this mission, the administrative staff deliberately and thoughtfully works to improve instruction and student outcomes by growing and developing our staff, providing new resources and programs for our students and providing remedial instruction when needed.

**INTERNAL ACCOUNTING CONTROLS**

Management of Ocean Academy Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the charter school are protected from loss, theft and misuse and to ensure that adequate accounting data are completed to allow for the preparation of financial statement in conformity with general accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the

benefits likely to be delivered; and (2) the valuation of costs and benefits require estimates and judgments by management.

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

### **BUDGETARY CONTROLS**

In addition to internal accounting controls, Ocean Academy Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or included as re-appropriations of fund balance in the subsequent year.

### **ACCOUNTING SYSTEM AND REPORTS**

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The Charter School's accounting system is organized on the basis of funds. The funds are explained in "Notes to Financial Statements", Note 1.

### **FINANCIAL POLICIES**

The intent of the charter school's Board of Trustees is to ensure that Ocean Academy Charter School manages its budget and finance in a fiscally prudent and responsible way by establishing financial policies for the Budget, Fund Balance and the maintenance of adequate reserves. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues except for certain grant revenues, are recognized when susceptible to accrual that is when they become measurable and available. The revenues allocated to Ocean Academy Charter School are determined by the New Jersey Department of Education General and are based on the revenues and per pupil costs of the sending districts. Fund revenues are the significant revenue sources and are considered susceptible to accrual.

### **OTHER INFORMATION**

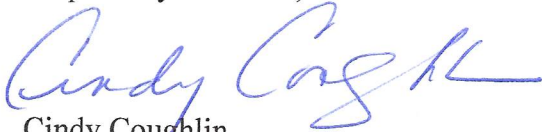
#### *INDEPENDENT AUDIT*

State statutes require an annual audit by independent certified public accountants. The accounting firm of Holman Frenia Allison, P.C., Certified Public Accounts, was appointed by the Board of Trustees.

### **ACKNOWLEDGEMENTS**

We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the community of the Ocean Academy Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



Cindy Coughlin  
School Business Administrator  
Ocean Academy Charter School

**OCEAN ACADEMY CHARTER SCHOOL**  
678 5th Street  
Lakewood, New Jersey 08701

**ROSTER OF OFFICIALS**

**JUNE 30, 2018**

**MEMBERS OF THE BOARD OF TRUSTEES**

**TERM EXPIRES**

Marshall White	Board President	September 2019
Ken Seda	Board Vice President	September 2020
Anita Raynes Lepelstat	Trustee	September 2019
Roxanne Martin	Trustee	September 2019
Aase Schults Hare	Trustee	September 2020
Reverend Juan Angel Monge-Santiago	Trustee	September 2020
Jim Muzikowski	Trustee	September 2021

**OTHER OFFICIALS**

Valerie Smith - Lead Founder, Executive Director and Board Secretary

Lorna Hassel - Head of School

**OCEAN ACADEMY CHARTER SCHOOL**

678 5th Street  
Lakewood, New Jersey 08701

**CONSULTANTS AND ADVISORS**

**ATTORNEY**

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

**AUDIT FIRM**

Kevin Frenia, CPA, PSA  
Holman Frenia Allison, P. C.  
680 Hooper Ave., Building B, Suite 201  
Toms River, New Jersey 08753

**OFFICIAL DEPOSITORY**

Ocean First Bank  
Toms River, NJ

**INSURANCE**

Fortitude Insurance Group  
Florham Park, NJ

**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS REPORT

Honorable President and Members  
of the Board of Trustees  
Ocean Academy Charter School  
County of Ocean  
Lakewood, NJ 08701

### **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 Ocean Academy Charter School, County of Ocean, 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School'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 Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules related to accounting and reporting for pensions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 accompanying combining statements and related major fund supporting statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1101

December 5, 2018  
Toms River, New Jersey

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

Management's Discussion and Analysis

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**OCEAN ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited)**

As management of the Ocean Academy Charter School, New Jersey (Charter School), we offer readers of the Charter School's financial statements this narrative overview and analysis of the Charter School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the Charter School's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the Charter School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the Charter School that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund and Special Revenue Fund. Business-type activities reflect the Food Service Fund and Extended Day Care Fund.

**Fund Financial Statements**

*Fund financial statements* are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the Charter School are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

*Governmental funds* account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

**Overview of the Basic Financial Statements (continued)**

**OCEAN ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

**Fund Financial Statements (continued)**

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Charter School maintains two individual governmental funds. The major funds are the General and Special Revenue Funds. They are presented separately in the fund financial statements.

The Charter School adopts an annual appropriated budget for the General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

*Proprietary funds* are used to present the same functions as the business-type activities presented in the government-wide financial statements. The Charter School maintains one type of proprietary fund – the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The Charter School's enterprise funds are listed individually and are considered to be a major fund.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Charter School's programs.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

**Financial Analysis of the Charter School as a Whole**

Table 1 provides a summary of the Charter Schools net position for the fiscal year 2018.



**OCEAN ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

**Financial Analysis of the Charter School as a Whole (continued)**

**Table 1**  
**Summary of Net Position**

	June 30, <u>2018</u>	June 30, <u>2017</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 308,830	\$ -	\$ 308,830	100.00%
Total Assets	<u>308,830</u>	<u>-</u>	<u>308,830</u>	<u>100.00%</u>
Current and other Liabilities	80,225	-	80,225	100.00%
Total Liabilities	<u>80,225</u>	<u>-</u>	<u>80,225</u>	<u>100.00%</u>
Net Position:				
Restricted	75,000	-	75,000	100.00%
Unrestricted (Deficit)	153,605	-	153,605	100.00%
Total Net Position	<u>\$ 228,605</u>	<u>\$ -</u>	<u>\$ 228,605</u>	<u>100.00%</u>

Table 2 shows the changes in net position for fiscal year 2018.

**Table 2**  
**Summary of Changes in Net Position**

	June 30, <u>2018</u>	June 30, <u>2017</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b>Revenues:</b>				
Program Revenues:				
Operating Grants & Contributions	\$ 204,446	\$ -	\$ 204,446	100.0%
General Revenues:				
Property Taxes	1,653,740	-	1,653,740	100.0%
Federal & State Aid	440,625	-	440,625	100.0%
Other General Revenues	15,427	-	15,427	100.0%
Total Revenues	<u>2,314,238</u>	<u>-</u>	<u>2,314,238</u>	<u>100.0%</u>
<b>Function/Program Expenditures:</b>				
Instruction	805,922	-	805,922	100.0%
Support Services & Undistributed Costs	374,178	-	374,178	100.0%
School Administrative Services	523,543	-	523,543	100.0%
Unallocated Benefits	191,027	-	191,027	100.0%
Capital Outlay	29,327	-	29,327	100.0%
Proprietary Funds	161,636	-	161,636	100.0%
Total Expenditures	<u>2,085,633</u>	<u>-</u>	<u>2,085,633</u>	<u>100.0%</u>
Change In Net Position	228,605	-	228,605	100.0%
Net Position - Beginning	-	-	-	
Net Position - Ending	<u>\$ 228,605</u>	<u>\$ -</u>	<u>\$ 228,605</u>	<u>100.0%</u>

**OCEAN ACADEMY CHARTER SCHOOL**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**(Unaudited) (Continued)**

**Governmental Activities**

During the fiscal year 2018, the net position of governmental activities increased by \$200,910 or 100%. The primary reason for the increase was spending less than budgeted for the fiscal year.

The assets of the primary government activities exceeded liabilities by \$200,910, with an unrestricted balance of \$125,910.

**Business-type Activities**

During the fiscal year 2018, the net position of business-type activities increased by \$27,695 or 100%.

The assets of the business-type activities exceeded liabilities by \$27,695.

**General Fund Budgeting Highlights**

Final budgeted revenues was \$2,118,085, which was equal to the original budget. Excluding nonbudgeted revenues, the Charter School's budgeted revenues fell short of actual revenues by \$19,365.

Final budgeted appropriations was \$2,109,961, which was an increase of \$164 from the original budget. Excluding nonbudgeted expenditures, the Charter School's budget appropriations exceeded actual expenditures by \$212,151.

The Charter School's general fund balance – budgetary basis (Exhibit C-1) was \$200,910 at June 30, 2018.

**Governmental Funds**

At the end of the current fiscal year, the Charter School's governmental funds reported a combined ending fund balance of \$200,910.

*General fund* - During the current fiscal year, the fund balance of the Charter School's general fund increased by \$200,910 or 100% at June 30, 2018.

*Special revenue fund* – There was no change in the fund balance for the special revenue fund.

**Proprietary Funds**

*Food service fund* - During the current fiscal year, the net position of the Charter School's food service fund increased by \$27,695 or 100% to \$27,695 at June 30, 2018

**Factors on the Charter School's Future**

Ocean Academy Charter School successfully went through their first year in operation. Ocean Academy plans to continue to serve the community and is looking at expanding grades to include grades kindergarten through eighth grade in future years.

**OCEAN ACADEMY CHARTER SCHOOL  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018  
(Unaudited) (Continued)**

**Contacting the Charter Schools Financial Management**

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

OCEAN ACADEMY CHARTER SCHOOL  
2360 Lakewood Rd., Suite 3, Box 203  
Toms River, New Jersey 08755

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**BASIC FINANCIAL STATEMENTS**

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**A. Government-Wide Financial Statements**

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**OCEAN ACADEMY CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	<u>TOTALS</u>
Current Assets:			
Cash	\$ 89,752	\$ 16,395	\$ 106,147
Receivables, Net (Note 3)	104,171	23,512	127,683
Restricted Cash	75,000	-	75,000
	<hr/>		
Total Current Assets	268,923	39,907	308,830
	<hr/>		
Total Assets	268,923	39,907	308,830
	<hr/>		
LIABILITIES			
Cash Deficit	-	1,153	1,153
Due to Other Governments	34,636	-	34,636
Accounts Payable	33,377	11,059	44,436
	<hr/>		
Total Liabilities	68,013	12,212	80,225
	<hr/>		
NET POSITION			
Restricted for:			
Charter School Escrow	75,000	-	75,000
Unrestricted	125,910	27,695	153,605
	<hr/>		
Total Net Position	\$ 200,910	\$ 27,695	\$ 228,605
	<hr/> <hr/>		

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

**OCEAN ACADEMY CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
Governmental Activities:						
Instruction	\$ 805,922	\$ -	\$ 39,768	\$ (766,154)	\$ -	\$ (766,154)
Support Services	374,178	-	53,487	(320,691)	-	(320,691)
Administration	523,543	-	-	(523,543)	-	(523,543)
Unallocated Benefits	191,027	-	-	(191,027)	-	(191,027)
Capital Outlay	29,327	-	-	(29,327)	-	(29,327)
Total Governmental Activities	1,923,997	-	93,255	(1,830,742)	-	(1,830,742)
Business-Type Activities:						
Proprietary Funds	161,636	11,072	111,191	-	(39,373)	(39,373)
Total Business-Type Activities	161,636	11,072	111,191	-	(39,373)	(39,373)
Total Primary Government	2,085,633	11,072	204,446	(1,830,742)	(39,373)	(1,870,115)
General Revenues:						
Property Taxes, Levied for General Purposes				1,653,740	-	1,653,740
Federal & State Aid Not Restricted				440,625	-	440,625
Miscellaneous Income				4,355	-	4,355
Transfers to Food Service				(67,068)	67,068	-
Total General Revenues, Special Items, Extraordinary Items & Transfers				2,031,652	67,068	2,098,720
Change In Net Position				200,910	27,695	228,605
Net Position - Beginning				-	-	-
Net Position - Ending				\$ 200,910	\$ 27,695	\$ 228,605

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

## B. Fund Financial Statements

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Governmental Funds

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**OCEAN ACADEMY CHARTER SCHOOL  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
Cash	\$ 179,142	\$ -	\$ 179,142
Intergovernmental Accounts Receivable	10,916	93,255	104,171
Restricted Cash	75,000	-	75,000
	<hr/>		
Total Assets	\$ 265,058	\$ 93,255	\$ 358,313
	<hr/> <hr/>		
LIABILITIES & FUND BALANCES			
Liabilities:			
Cash Deficit	\$ -	\$ 89,390	\$ 89,390
Intergovernmental Accounts Payable	34,636	-	34,636
Accounts Payable	29,512	3,865	33,377
	<hr/>		
Total Liabilities	64,148	93,255	157,403
	<hr/>		
Fund Balances:			
Restricted for:			
Charter School Escrow Reserve	75,000	-	75,000
Assigned for:			
Other Purposes	10,045	-	10,045
Unassigned:			
General Fund	115,865	-	115,865
	<hr/>		
Total Fund Balances	200,910	-	200,910
	<hr/>		
Total Liabilities & Fund Balances	\$ 265,058	\$ 93,255	\$ 358,313
	<hr/> <hr/>		

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

**OCEAN ACADEMY CHARTER SCHOOL  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	GENERAL FUND	SPECIAL REVENUE FUND	TOTALS
Revenues:			
Local Sources:			
Local Levy	\$ 1,653,740	\$ -	\$ 1,653,740
Miscellaneous	4,355	-	4,355
Total Local Sources	<u>1,658,095</u>	-	<u>1,658,095</u>
State Sources	440,625	-	440,625
Federal Sources	-	93,255	93,255
Total Revenues	<u>2,098,720</u>	<u>93,255</u>	<u>2,191,975</u>
Expenditures:			
Instructional	766,154	39,768	805,922
Administration Costs	523,543	-	523,543
Support Services	320,691	53,487	374,178
Unallocated Benefits	191,027	-	191,027
Capital Outlay	29,327	-	29,327
Total Expenditures	<u>1,830,742</u>	<u>93,255</u>	<u>1,923,997</u>
Other Financing Sources/(Uses):			
Board Contribution to			
Food Service	(67,068)	-	(67,068)
Start Up Loan Proceeds	158,000	-	158,000
Start Up Loan Repayment	<u>(158,000)</u>	<u>-</u>	<u>(158,000)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>200,910</u>	<u>-</u>	<u>200,910</u>
Net Change in Fund Balances	200,910	-	200,910
Fund Balances July 1	-	-	-
Fund Balances June 30	<u>\$ 200,910</u>	<u>\$ -</u>	<u>\$ 200,910</u>

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



**OCEAN ACADEMY CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total Net Change in Fund Balances - Governmental Funds (From B-2)	<u>\$ 200,910</u>
There is no difference in amounts reported for governmental activities in the statement of activities (A-2).	
Change in Net Position of Governmental Activities	<u><u>\$ 200,910</u></u>

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

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Proprietary Funds

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**OCEAN ACADEMY CHARTER SCHOOL  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018**

ASSETS	BUSINESS-TYPE ACTIVITIES -		<u>TOTAL</u>
	<u>EXTENDED DAY CARE</u>	<u>FOOD SERVICE</u>	
Cash	\$ -	\$ 16,395	\$ 16,395
Accounts Receivable			
State	-	261	261
Federal	-	23,251	23,251
Total Assets	-	39,907	39,907
LIABILITIES			
Cash Deficit	1,153	-	1,153
Accounts Payable	-	11,059	11,059
Total Liabilities	1,153	11,059	12,212
NET POSITION			
Unrestricted	(1,153)	28,848	27,695
Total Net Position	\$ (1,153)	\$ 28,848	\$ 27,695

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

**OCEAN ACADEMY CHARTER SCHOOL  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	BUSINESS-TYPE ACTIVITIES -		<u>TOTAL</u>
	<u>EXTENDED DAY CARE</u>	<u>FOOD SERVICE</u>	
Operating Revenues:			
Charges for Services:			
Daily Sales Reimbursable Programs	\$ -	\$ 3,143	\$ 3,143
Tuition	7,929		7,929
Total Operating Revenue	7,929	3,143	11,072
Operating Expenses:			
Salaries	-	16,777	16,777
Cost of Sales-Reimbursable		131,787	131,787
Miscellaneous	9,082	3,990	13,072
Total Operating Expenses	9,082	152,554	161,636
Operating Income/(Loss)	(1,153)	(149,411)	(150,564)
Nonoperating Revenues:			
State Sources:			
State School Lunch Program	-	1,231	1,231
Federal Sources:			
National School Breakfast Program	-	39,100	39,100
National School Lunch Program	-	69,184	69,184
Healthy Hunger-Free Kids Act	-	1,349	1,349
After School Snacks Program	-	327	327
Total Nonoperating Revenues	-	111,191	111,191
Other Financing Sources/(Uses):			
Board Contribution	-	67,068	67,068
Total Other Financing Sources/(Uses)	-	67,068	67,068
Net Income/(Loss)	(1,153)	28,848	27,695
Net Position - July 1	-	-	-
Net Position - June 30	\$ (1,153)	\$ 28,848	\$ 27,695

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

**OCEAN ACADEMY CHARTER SCHOOL  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	BUSINESS-TYPE ACTIVITIES -		<u>TOTAL</u>
	<u>EXTENDED DAY CARE</u>	<u>FOOD SERVICE</u>	
Cash Flows From Operating Activities:			
Cash Received from Customers	\$ 7,929	\$ 3,143	\$ 11,072
Payments to Suppliers & Employees	(9,082)	(141,495)	(150,577)
Net Cash Provided/(Used) by Operating Activities	(1,153)	(138,352)	(139,505)
Cash Flows From Noncapital Financing Activities:			
Cash Received From State & Federal Reimbursements	-	87,679	87,679
Board Contribution	-	67,068	67,068
Net Cash Provided by Noncapital Financing Activities	-	154,747	154,747
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,153)	16,395	15,242
Balances - Beginning of Year	-	-	-
Balances - Ending of Year	\$ (1,153)	\$ 16,395	\$ 15,242

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

Operating Income/(Loss)	\$ (1,153)	\$ (149,411)	\$ (150,564)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Increase/(Decrease) in Accounts Payable	-	11,059	11,059
Net Cash Provided/(Used) by Operating Activities	\$ (1,153)	\$ (138,352)	\$ (139,505)

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

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Fiduciary Fund

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**OCEAN ACADEMY CHARTER SCHOOL  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

ASSETS	AGENCY FUNDS
Cash & Cash Equivalents	\$ 6,198
Total Assets	\$ 6,198
LIABILITIES	
Payroll Deductions & Withholdings	\$ 6,198
Total Liabilities	\$ 6,198

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

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**OCEAN ACADEMY CHARTER SCHOOL**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2018**

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## OCEAN ACADEMY CHARTER SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018

#### Note 1. Summary of Significant Accounting Policies

##### **Basis of Presentation**

The financial statements of the Ocean Academy Charter School (hereafter referred to as the “Charter School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

##### **Reporting Entity**

The Ocean Academy Charter School is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School is governed by an independent Board of Trustees, which consists of parents, founders, and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the Board and is responsible for the administrative control of the Charter School. The Ocean Academy Charter School has an approximate enrollment at June 30, 2018 of 150 students.

The primary criterion for including activities within the Charter School’s reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- ◆ the organization is legally separate (can sue or be sued in their own name);
- ◆ the Charter School holds the corporate powers of the organization;
- ◆ the Charter School appoints a voting majority of the organization’s board
- ◆ the Charter School is able to impose its will on the organization;
- ◆ the organization has the potential to impose a financial benefit/burden on the Charter School
- ◆ there is a fiscal dependency by the organization on the Charter School.

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

##### **Component Units**

GASB Statement No.14, *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnis – an Amendment of GASB Statements No. 14 and No. 34*. The Charter School had no component units as of for the year ended June 30, 2018.

## OCEAN ACADEMY CHARTER SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

#### Note 1. Summary of Significant Accounting Policies (continued)

##### **Basis of Accounting, Measurement Focus and Financial Statement Presentation**

The accounts of the Charter School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

##### **A. Government-Wide Financial Statements**

The Charter School's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Charter School accompanied by a total column. Fiduciary activities of the Charter School are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Charter School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Charter School are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

##### **B. Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The Charter School has presented all major funds that met those qualifications. All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The Charter School's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Charter School, are property tax



## OCEAN ACADEMY CHARTER SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

#### Note 1. Summary of Significant Accounting Policies (continued)

and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the Charter School. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the Charter School and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The Charter School funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Charter School's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The Charter School reports the following major governmental funds:

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

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

## OCEAN ACADEMY CHARTER SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

#### Note 1. Summary of Significant Accounting Policies (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 proprietary funds, and local appropriations that are restricted or committed to expenditures for specified purposes.

#### **C. Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Charter School reports the following major proprietary fund:

**Food Service Fund** – The food service fund accounts for the financial transactions related to the food service operations of the Charter School.

**Extended Day Care Fund** – The extended day care fund accounts for the financial transactions related to after school care operations of the Charter School.

#### **D. Fiduciary Fund Financial Statements**

Fiduciary fund financial statements include a Statement of Net Position. The Charter School’s fiduciary funds are Agency Funds. Agency Funds are used to account for and report assets held by the Charter School as an agent for individuals, private organizations, and other governments. Agency Funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The Charter School reports the following fiduciary funds:

**Agency Funds** - Agency funds (payroll) are assets held by a governmental entity either as trustee or as an agent for other parties and cannot be used to finance the governmental entities own operating programs.

## OCEAN ACADEMY CHARTER SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

#### Note 1. Summary of Significant Accounting Policies (continued):

##### **Budgets/Budgetary Control**

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the New Jersey Department of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in *N.J.A.C.6:20-2A(m)1*. All budget amendments must be approved by Charter School Board resolution.

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports. The budget, as detailed on Exhibit C-1 and C-2, includes all amendments to the adopted budget, if any.

##### **Encumbrances**

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

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year-end.

##### **Cash, Cash Equivalents and Investments**

Cash and Cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are considered cash equivalents and stated at cost.

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey Charter Schools are limited as to the types of investments and types of financial

## OCEAN ACADEMY CHARTER SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

#### **Note 1. Summary of Significant Accounting Policies (continued)**

institutions they may invest in. N.J.S.18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Charter Schools.

*N.J.S.A.17:9-41* et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

For purposes of the statement of cash flows, the Charter School considers all highly liquid investments (including restricted assets) with a maturity when purchased of twelve months or less and all local government investment pools to be cash equivalents

#### **Inventories**

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

#### **Interfund Receivables/Payables**

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

#### **Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the Charter School is eligible to realize the revenue.

#### **Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government 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, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

OCEAN ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (continued)

Note 1. Summary of Significant Accounting Policies (continued)

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

**Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**Fund Balance**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the governmental funds financial statements are classified into the following five categories, as defined below:

- **Non-spendable** – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned** – This classification includes amounts that are constrained by the Charter School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also

**OCEAN ACADEMY CHARTER SCHOOL**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

includes the remaining positive fund balance for all governmental funds except for the General Fund.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the Charter School’s policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the Charter School’s policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

**Net Position**

Net position, represents the difference between summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- Restricted – This component of net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- Unrestricted – This component of net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

**Impact of Recently Issued Accounting Principles**

**Adopted Accounting Pronouncements**

The following GASB Statements became effective for the fiscal year ended June 30, 2018:

Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This Statement replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multi-Employer Plans, for OPEB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement has no effect on the Charter School’s financial statements for the year ended June 30, 2018.

Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and No. 73. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement has no effect on the Charter School’s financial statements for the year ended June 30, 2018.

## OCEAN ACADEMY CHARTER SCHOOL

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2018 (continued)

#### Note 1. Summary of Significant Accounting Policies (Continued):

##### Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 83, Certain Asset Retirement Obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the Charter School's financial statements.

Statement No. 84, Fiduciary Activities. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after December 15, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management has not yet determined the potential impact on the Charter School's financial statements.

Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The Governmental Accounting Standards Board (GASB) has issued a new standard with guidance the GASB believes will enhance debt-related disclosures in notes to financial statements, including those addressing direct borrowings and direct placements. The new standard clarifies which liabilities governments should include in their note disclosures related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the potential impact on the Charter School's financial statements.

#### Note 2. Deposits and Investments

##### Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2018, the Charter School's bank balance of \$210,463 was exposed to custodial credit risk as follows:

**OCEAN ACADEMY CHARTER SCHOOL**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (continued)**

**Note 2. Deposits and Investments (Continued):**

Insured under FDIC and GUDPA	\$ 210,463
	\$ 210,463

**Investments**

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

**Note 3. Accounts Receivable**

Accounts receivable at June 30, 2018 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the Charter School's governmental and business-type activities as of June 30, 2018, consisted of the following:

<u>Description</u>	Governmental Funds			Proprietary Funds	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>Total Business-Type Activities</u>
Federal Awards	\$ -	\$ 93,255	\$ 93,255	\$ 23,251	\$ 23,251
State Awards	-	-	-	261	261
Other	10,916	-	10,916	-	-
Total	\$ 10,916	\$ 93,255	\$ 104,171	\$ 23,512	\$ 23,512

**Note 4: Interfund Receivables and Payables**

There were no interfund balances at June 30, 2018.

**Note 5. Pension Plans**

As of June 30, 2018, Ocean Academy Charter School was not part of the State Pension for PERS or TPAF. In addition, since the school was opened after June 30, 2016, they are not included in the most recent valuation and thus have no reportable amounts related to pensions.



**OCEAN ACADEMY CHARTER SCHOOL**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (continued)**

**Note 6. State Post-Retirement Medical Benefits**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. 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.

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.

**Note 7. On-Behalf Payments for Fringe Benefits and Salaries**

Ocean Academy Charter School opened subsequent to the date of the most recent valuation (June 30, 2016), and thus has no reportable payments.

**Note 8. Risk Management**

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

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

**Note 9. Contingencies**

**State and Federal Grantor Agencies** - The Charter School participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Charter School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the Charter School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

OCEAN ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2018 (continued)

**Note 9. Contingencies (continued):**

**Litigation** – No material matters of litigation have been noted as of June 30, 2018.

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

**Note 10. Charter School Start-Up Loan**

The Charter School received a start-up loan from a private donor during the beginning of operations in the amount of \$158,000 at an interest rate of 10 percent. The loan was provided to assist with the purchase of classroom materials, student furniture, administrative needs and nursing needs. Loan principal and interest was fully paid as of June 30, 2018.

**Note 11. Operating Leases**

The Charter School has commitments to two building leases under operating leases for 1 year. Total lease payments made during the year ended June 30, 2018 amounted to \$233,002. Future minimum lease payments are as follows:

Fiscal Year Ending <u>June 30,</u>	
2018	\$ 483,810
Total Minimum Lease Payments	<u>\$ 483,810</u>

**Note 12. Fund Balances**

**General Fund**

- A. **Charter School Escrow Reserve**- In accordance with the New Jersey Charter School agreement, the Charter School has established an escrow that is restricted for the possible costs associated with the dissolution of the charter school. Within five years of the signing of the agreement, the reserve must reach a balance of \$75,000. As of June 30, 2018, the balance of the escrow is \$75,000.
- B. **Assigned** – As of June 30, 2018, \$10,045 has been assigned for encumbrances.
- C. **Unassigned**- As of June 30, 2018, \$115,865 of general fund balance was unassigned.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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C. Budgetary Comparison Schedules

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**OCEAN ACADEMY CHARTER SCHOOL  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
<b>Revenues:</b>						
<b>Local Sources:</b>						
Local Tax Levy	10-1200	\$ 2,029,190	\$ -	\$ 2,029,190	\$ 1,653,740	\$ (375,450)
Miscellaneous Revenues	10-1990	-	-	-	4,355	4,355
<b>Total Local Sources</b>		<b>2,029,190</b>	<b>-</b>	<b>2,029,190</b>	<b>1,658,095</b>	<b>(371,095)</b>
<b>State Sources:</b>						
Special Education Categorical Aid	10-3132	35,599	-	35,599	33,218	(2,381)
Equalization Aid	10-3176	-	-	-	354,664	354,664
Security Aid	10-3177	53,296	-	53,296	52,743	(553)
<b>Total State Sources</b>		<b>88,895</b>	<b>-</b>	<b>88,895</b>	<b>440,625</b>	<b>351,730</b>
<b>Total Revenues</b>		<b>2,118,085</b>	<b>-</b>	<b>2,118,085</b>	<b>2,098,720</b>	<b>(19,365)</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
<b>Salaries of Teachers</b>						
Preschool/Kindergarten	11-110-100-101	182,500	(2,823)	179,677	170,733	8,944
Grades 1-5	11-120-100-101	317,000	920	317,920	315,320	2,600
<b>Other Salaries for Instruction</b>	<b>11-190-100-106</b>	<b>151,000</b>	<b>1,903</b>	<b>152,903</b>	<b>147,935</b>	<b>4,968</b>
Purchased Technical Services	11-190-100-340	55,000	-	55,000	4,395	50,605
<b>Other Purchased Services - (400-500 Series)</b>	<b>11-190-100-500</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>3,970</b>	<b>6,030</b>
General Supplies	11-190-100-610	67,500	(12,500)	55,000	16,316	38,684
Textbooks	11-190-100-640	120,000	5,000	125,000	102,788	22,212
Other Objects	11-190-100-800	10,000	-	10,000	4,697	5,303
<b>Total Instruction</b>		<b>913,000</b>	<b>(7,500)</b>	<b>905,500</b>	<b>766,154</b>	<b>139,346</b>
<b>Administration:</b>						
<b>Salaries - General</b>						
Administration	11-000-230-100	269,175	21,279	290,454	290,454	(0)
Legal Services	11-000-230-331	5,000	-	5,000	4,870	130
Auditor Services	11-000-230-332	17,000	-	17,000	-	17,000
<b>Other Purchased Professional Service</b>	<b>11-000-230-339</b>	<b>31,000</b>	<b>4,407</b>	<b>35,407</b>	<b>34,936</b>	<b>471</b>
Communication/Telephone	11-000-230-530	42,000	(14,000)	28,000	13,291	14,709
<b>Other Purchased Services - (400-500Series)</b>	<b>11-000-230-585</b>	<b>24,435</b>	<b>5,150</b>	<b>29,585</b>	<b>29,585</b>	<b>-</b>
Supplies and Materials	11-000-230-610	15,500	5,000	20,500	14,062	6,438
Miscellaneous	11-000-230-890	5,000	7,000	12,000	8,464	3,536
<b>Total Support Services General Administration</b>		<b>409,110</b>	<b>28,835</b>	<b>437,945</b>	<b>395,662</b>	<b>42,283</b>
<b>Support Services School Administration:</b>						
Salaries of Secretarial & Clerical Assistants	11-000-240-105	33,481	-	33,481	28,862	4,619
Other Salaries	11-000-240-110	73,000	-	73,000	72,434	566
Purchased Technical Services	11-000-240-300	65,000	(28,000)	37,000	16,616	20,384
Other Purchased Services	11-000-240-500	15,000	-	15,000	9,969	5,031
<b>Total Support Services School Administration</b>		<b>186,481</b>	<b>(28,000)</b>	<b>158,481</b>	<b>127,881</b>	<b>30,600</b>
<b>Total Administration</b>		<b>595,591</b>	<b>835</b>	<b>596,426</b>	<b>523,543</b>	<b>72,883</b>
<b>Central Services:</b>						
Interest on Current Loans	11-000-251-831	18,700	-	18,700	18,500	200
<b>Total Central Services</b>		<b>18,700</b>	<b>-</b>	<b>18,700</b>	<b>18,500</b>	<b>200</b>
<b>Support Services:</b>						
Rent on Land & Buildings	11-000-262-441	235,000	(1,600)	233,400	233,002	398
Insurance	11-000-262-520	38,650	11,350	50,000	48,454	1,546
Supplies and Materials	11-000-262-610	11,000	2,517	13,517	8,959	4,558

**OCEAN ACADEMY CHARTER SCHOOL  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	ACCOUNT NUMBERS	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Miscellaneous Expense	11-000-262-800	5,000	5,483	10,483	7,503	2,980
Transportation	11-000-270-500	5,000	-	5,000	4,273	727
Total Support Services		294,650	17,750	312,400	302,191	10,209
Unallocated Benefits - Employee Benefits:						
Health Benefits Costs	11-000-291-200	251,606	(13,485)	238,121	186,213	51,908
Tuition Reimbursement	11-000-291-280	-	4,814	4,814	4,814	0
Total Unallocated Benefits		251,606	(8,670)	242,936	191,027	51,909
Nonbudgeted:						
On-Behalf TPAF Medical Contributions		-	-	-	-	-
On-Behalf TPAF Pension Contributions		-	-	-	-	-
On-Behalf TPAF Long-Term Disability Contributions		-	-	-	-	-
Reimbursed TPAF Social Security Contributions		-	-	-	-	-
Total Expenditures - Current Expense		2,073,547	2,415	2,075,962	1,801,415	274,547
Equipment:						
Instructional Equipment	12-000-100-730	13,250	(2,250)	11,000	10,516	484
Non-Instructional Equipment	12-000-300-730	16,000	-	16,000	13,729	2,271
Total Equipment		29,250	(2,250)	27,000	24,245	2,755
Facilities Acquisition & Construction Services:						
Purchase Land/Improvements	12-000-400-710	4,000	39	4,039	4,039	-
Miscellaneous Expense	12-000-400-890	3,000	(40)	2,960	1,043	1,917
Total Facilities Acquisition & Construction Services		7,000	(1)	6,999	5,082	1,917
Total Capital Outlay		36,250	(2,251)	33,999	29,327	4,672
Total Expenditures		2,109,797	164	2,109,961	1,830,742	279,219
Other Financing Sources/(Uses):						
Transfer Funds to Food Service		-	-	-	(67,068)	67,068
Total Expenditures & Other Financing Uses/(Sources)		2,109,797	164	2,109,961	1,897,810	212,151
Excess/(Deficiency) of Revenues						
Over/(Under) Expenditures		8,288	(164)	8,124	200,910	192,786
Fund Balances, July 1		-	-	-	-	-
Fund Balances, June 30		\$ 8,288	\$ (164)	\$ 8,124	\$ 200,910	\$ 192,786

**RECAPITULATION OF FUND BALANCE:**

<b>Restricted Fund Balance:</b>	
Escrow Reserve	\$ 75,000
<b>Assigned Fund Balance:</b>	
Reserve for Encumbrances	10,045
<b>Unassigned Fund Balance</b>	<u>115,865</u>
Total	<u>\$ 200,910</u>



**OCEAN ACADEMY CHARTER SCHOOL  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

REVENUES	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Federal Sources	\$ 108,913	\$ -	\$ 108,913	\$ 93,255	\$ (15,658)
Total Revenues	108,913	-	108,913	93,255	(15,658)
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	11,240	-	11,240	8,550	2,690
Purchased Professional - Educational Services	10,348	-	10,348	3,439	6,909
General Supplies	30,431	-	30,431	27,779	2,652
Total Instruction	52,019	-	52,019	39,768	12,251
Support Services:					
Other Salaries	42,459	-	42,459	42,128	331
Personal Services - Employee Benefits	11,051	-	11,051	8,905	2,146
Other Purchased Services	2,930	-	2,930	2,300	630
General Supplies	454	-	454	154	300
Total Support Services	56,894	-	56,894	53,487	3,407
Total Expenditures	108,913	-	108,913	93,255	15,658
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**OCEAN ACADEMY CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 2,098,720	\$ 93,255
	<u>                    </u>	<u>                    </u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$ 2,098,720</u>	<u>\$ 93,255</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 1,897,810	\$ 93,255
	<u>                    </u>	<u>                    </u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 1,897,810</u>	<u>\$ 93,255</u>

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**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)  
Not Applicable

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**OTHER SUPPLEMENTARY INFORMATION**

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**OCEAN ACADEMY CHARTER SCHOOL  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	TITLE I PART A	TITLE II PART A	TITLE III	TOTALS
<b>Revenues:</b>				
Federal Sources	\$ 81,672	\$ 3,439	\$ 8,144	\$ 93,255
<b>Total Revenues</b>	<b>\$ 81,672</b>	<b>\$ 3,439</b>	<b>\$ 8,144</b>	<b>\$ 93,255</b>
<b>Expenditures:</b>				
<b>Instruction:</b>				
Salaries of Teachers	\$ 6,420	\$ -	\$ 2,130	\$ 8,550
Purchased Professional Services	-	3,439	-	3,439
General Supplies	24,219	-	3,560	27,779
<b>Total Instruction</b>	<b>30,639</b>	<b>3,439</b>	<b>5,690</b>	<b>39,768</b>
<b>Support Services:</b>				
Other Salaries	42,128	-	-	42,128
Personal Services/ Employee Benefits	8,905	-	-	8,905
Other Purchased Services	-	-	2,300	2,300
Supplies	-	-	154	154
<b>Total Support Services</b>	<b>51,033</b>	<b>-</b>	<b>2,454</b>	<b>53,487</b>
<b>Total Expenditures</b>	<b>\$ 81,672</b>	<b>\$ 3,439</b>	<b>\$ 8,144</b>	<b>\$ 93,255</b>

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F. Capital Projects Fund

Not Applicable

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G. Proprietary Funds  
See Exhibits B-4 through B-6

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Enterprise Funds  
See Exhibits B-4 through B-6

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Internal Service Fund

Not Applicable

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## H. Fiduciary Fund

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**OCEAN ACADEMY CHARTER SCHOOL  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018**

ASSETS	<u>AGENCY FUNDS</u>	
	<u>PAYROLL</u>	<u>TOTAL</u>
Cash & Cash Equivalents	\$ 6,198	\$ 6,198
Total Assets	6,198	6,198
<b>LIABILITIES</b>		
Payroll Deductions & Withholdings	6,198	6,198
Due to Student Groups	-	-
Total Liabilities	\$ 6,198	\$ 6,198

Not Applicable

**SCHEDULE OF CHANGE IN PAYROLL AGENCY ASSETS AND LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

ASSETS	BALANCE JULY 1, 2017	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2018
Cash & Cash Equivalents	\$ -	\$ 1,272,837	\$ 1,266,639	\$ 6,198
	<u>\$ -</u>	<u>\$ 1,272,837</u>	<u>\$ 1,266,639</u>	<u>\$ 6,198</u>
<b>LIABILITIES</b>				
Net Payroll	\$ -	\$ 892,113	\$ 892,113	\$ -
Payroll Deductions & Withholdings	-	380,724	374,526	6,198
Total Liabilities	<u>\$ -</u>	<u>\$ 1,272,837</u>	<u>\$ 1,266,639</u>	<u>\$ 6,198</u>

I. Long-Term Debt

Not Applicable

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STATISTICAL SECTION (Unaudited)

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EXHIBIT J-1  
**OCEAN ACADEMY CHARTER SCHOOL**  
**NET POSITION BY COMPONENT**  
**LAST FOUR FISCAL YEARS**  
*(Accrual Basis of Accounting)*

	FISCAL YEAR ENDING JUNE 30, <u>2018</u>
Governmental Activities:	
Assigned	\$ -
Restricted	75,000
Unrestricted	<u>125,910</u>
 Total Governmental Activities	
Net Position	<u>\$ 200,910</u>
 Business-Type Activities:	
Unrestricted	<u>\$ 27,695</u>
 Total Business-Type Activities	
Net Position	<u>\$ 27,695</u>
 Government-Wide:	
Restricted	\$ 75,000
Unrestricted	<u>153,605</u>
 Total Charter School Net Position	<u>\$ 228,605</u>

**OCEAN ACADEMY CHARTER SCHOOL  
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)  
LAST FISCAL YEAR**

	FISCAL YEAR ENDING JUNE 30, 2018
Expenses:	
Governmental Activities	
Instruction	\$ 805,922
Administration	523,543
Support Services	374,178
Unallocated Benefits	191,027
Capital Outlay	<u>29,327</u>
Total Governmental Activities Expenses	<u>1,923,997</u>
Business-Type Activities:	
Food Service	<u>161,636</u>
Total Business-Type Activities Expense	<u>161,636</u>
Total Charter School Expenses	<u>\$ 2,085,633</u>
Program Revenues:	
Governmental Activities:	
Capital Grants & Contributions	<u>\$ 93,255</u>
Total Governmental Activities Program Revenues	<u>93,255</u>
Business-Type Activities:	
Charges for Services:	
Food Service	11,072
Capital Grants & Contributions	111,191
Transfers	<u>67,068</u>
Total Business Type Activities Program Revenues	<u>189,331</u>
Total Charter School Program Revenues	<u>\$ 282,586</u>
Net/(Expense)/Revenue:	
Governmental Activities	\$ (1,830,742)
Business-Type Activities	<u>27,695</u>
Total Charter School Net Expense	<u>\$ (1,803,047)</u>

**OCEAN ACADEMY CHARTER SCHOOL  
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)  
LAST FISCAL YEAR**

	<u>FISCAL YEAR ENDING JUNE 30, 2018</u>
General Revenues & Other Changes in Net Position:	
Governmental Activities:	
Property Taxes Levied for General Purposes	\$ 1,653,740
Grants & Contributions	440,625
Miscellaneous Income	4,355
Transfers	<u>(67,068)</u>
Total Governmental Activities	<u>2,031,652</u>
Total Government-Wide	<u><u>\$ 2,031,652</u></u>
Change in Net Position:	
Governmental Activities	\$ 200,910
Business-Type Activities	<u>27,695</u>
Total Charter School	<u><u>\$ 228,605</u></u>

Source: Charter School's Records

EXHIBIT J-3

**OCEAN ACADEMY CHARTER SCHOOL  
FUND BALANCES AND GOVERNMENTAL FUNDS  
LAST FOUR FISCAL YEARS  
(Modified Accrual Basis of Accounting)**

	<u>FISCAL YEAR ENDING JUNE 30, 2018</u>
General Fund	
Restricted	\$ 75,000
Assigned	10,045
Unassigned	<u>115,865</u>
Total General Fund	<u><u>\$ 200,910</u></u>

Source: Charter School Records

**OCEAN ACADEMY CHARTER SCHOOL  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST FISCAL YEAR  
(Modified Accrual Basis of Accounting)**

	2018
Revenues:	
Federal	\$ 93,255
State	440,625
Local	<u>1,658,095</u>
Total Revenue	<u>2,191,975</u>
Current Expense:	
Instruction	805,922
Administrative Services	523,543
Support Services	374,178
Capital Outlay:	
Instructional Equipment	29,327
Unallocated Benefits	<u>191,027</u>
Total Expenditures	<u>1,923,997</u>
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	<u>200,910</u>
Net Change in Fund Balances	<u><u>\$ 200,910</u></u>

Source: Charter School Records

**EXHIBITS J-5 THROUGH J-13**

**NOT APPLICABLE**

EXHIBIT J-14

**OCEAN ACADEMY CHARTER SCHOOL  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST FISCAL YEAR**

YEAR	POPULATION (a)	PERSONAL INCOME(b)	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2018	N/A	N/A	N/A	N/A

Source:

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

b Personal income is estimated - population times estimated per capita personal income.

c Per Capita Per County from US Bureau of Economic Analysis

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

**EXHIBIT J-15 NOT APPLICABLE**



**OCEAN ACADEMY CHARTER SCHOOL  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST FISCAL YEAR**

Function/Program	2018
Number of Classes:	
Kindergarten	4
Grade 1	3
Grade 2	3
	<hr/>
Total Number of Classes	10
	<hr/> <hr/>
Full-Time Employees:	
Executive Director	1
Teachers	11
Supervisor/Title I Coordinator	1
Teacher Aides	7
School Nurse	1
Head of School	1
Custodian	1
Administrative Assistant	1
	<hr/>
Total Employees	24
	<hr/> <hr/>
Teacher/Student Ratio	1:7
	<hr/> <hr/>
Student Count at June 30	151
	<hr/> <hr/>

Source: Charter School's Personnel Records

**OCEAN ACADEMY CHARTER SCHOOL  
OPERATING STATISTICS  
LAST FISCAL YEAR**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADA) (c)	AVERAGE DAILY ATTENDANCE (ADA) (d)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
2018	151	\$ 1,830,742	\$ 12,124	N/A	19	1:7	151	145	N/A	96%

Sources: District records

Note: Enrollment based on annual June Charter School count.

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

**OCEAN ACADEMY CHARTER SCHOOL  
SCHOOL BUILDING INFORMATION  
LAST FISCAL YEAR**

DISTRICT BUILDING	<u>2018</u>
School Building:	
Square Feet	10,000
Capacity (Students)	220
Enrollment	151

Number of Schools at June 30, 2018:

    School Building - 1

Source: Charter School Facilities Office

Note: Enrollment is based on the annual October District count.

**EXHIBIT J-19  
NOT APPLICABLE**

**OCEAN ACADEMY CHARTER SCHOOL  
INSURANCE SCHEDULE  
JUNE 30, 2018**

	COVERAGE		DEDUCTIBLE
<b>FORTITUDE INSURANCE GROUP'S SCHOOL INSURANCE PROGRAM</b>			
<b>Educators Errors and Omissions</b>			
Educators Errors and Omissions	1,000,000		
Employment Practices Liability	1,000,000		
<b>Property</b>			
Business Personal Property Replacement	250,000	\$	1,000
EDP (Computer)	200,000	\$	1,000
Business Income and Extra Expense	100,000		
Equipment Breakdown	250,000	\$	1,000
Fire Department Service Charge	25,000		
Pollutant Clean-Up & Removal/Debris Removal	25,000		
Lease Cancellation Moving Expense	5,000		
Accounts Receivable	25,000		
Key Replacement	2,500		
Outdoor Property	50,000		
<b>UMBRELLA</b>			
Auto, General Liability, Educators, Legal	4,000,000		
<b>CRIME</b>			
Blanket Employee Theft	125,000	\$	1,000
<b>GENERAL LIABILITY</b>			
Each Occurrence	1,000,000		
Sexual Abuse	1,000,000		
Personal & Advertising	1,000,000		
Employee Benefits	1,000,000		
Medical Payments	5,000		
<b>BUSINESS AUTO</b>			
Hired & Non-Owned Auto Liability	1,000,000		
<b>WORKERS COMPENSATION</b>			
Bodily Injury by Accident	500,000		
Bodily Injury by Disease	500,000		

Source: Charter School Insurance Policy

OCEAN ACADEMY CHARTER SCHOOL  
 FINANCIAL PERFORMANCE  
 FISCAL RATIOS  
 JUNE 30, 2018

2018		Source
Audit		
Cash	\$ 106,147	Audit: Exhibit A-1
Current Assets	308,830	Audit: Exhibit A-1
Total Assets	308,830	Audit: Exhibit A-1
Current Liabilities	80,225	Audit: Exhibit A-1
Total Liabilities	80,225	Audit: Exhibit A-1
Net Position	228,605	Audit: Exhibit A-1
Total Revenue	2,314,238	Audit: Exhibit A-2
Total Expenses	2,085,633	Audit: Exhibit A-2
Change in Net Position	228,605	Audit: Exhibit A-2
Depreciation Expense	-	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	145.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	155.00	Charter School Budget

Near Term Indicators	2018	3 YR CUM	Source:
1a. Current Ratio	3.85	#DIV/0!	Current Assets/Current Liabilities
1b. Unrestricted Days Cash	18.58	#DIV/0!	Cash/(Total Expenses/365)
1c. Enrollment Variance	94%	#DIV/0!	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	No	N/A	Audit
<b>Sustainability Indicators</b>			
2a. Total Margin	10%	#DIV/0!	Change in Net Assets/Total Revenue
2b. Debt to Asset	26%	#DIV/0!	Total Liabilities/Total Assets
2c.** Cash Flow	106,147	35,382	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	(Change in Net Assets+Depreciation-Interest Expense)/(Principal & Interest Payments)

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2017 =2017 Cash-2016 Cash; 2016 =2016 Cash - 2015 Cash; 2015 =2015 Cash-2014 Cash;

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**SINGLE AUDIT SECTION**

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**EXHIBIT K-1**

**INDEPENDENT AUDITOR'S 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**

Honorable President and Members  
of the Board of Trustees  
Ocean Academy Charter School  
County of Ocean  
Lakewood, NJ 08701

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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Ocean Academy Charter School as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated December 5, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Ocean Academy 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 Ocean Academy Charter School's internal control.

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

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as finding no.'s 2018-001, and 2018-002.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency as finding no. 2018-003.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 as finding no. 2018-001.

We also noted certain immaterial instances of noncompliance that are not required to be reported under Governmental Auditing Standards and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, that we reported to management in a separate Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance dated December 5, 2018.

### **Ocean Academy Charter School’s Response to Findings**

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

### **Purpose of This Report**

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

Respectfully Submitted,  
HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia  
Certified Public Accountant  
Public School Accountant, No. 1011

Toms River, New Jersey  
December 5, 2018

**OCEAN ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	_____ Unmodified _____	
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ <input checked="" type="checkbox"/> _____ yes	_____ no
2) Significant deficiency(ies) identified?	_____ <input checked="" type="checkbox"/> _____ yes	_____ none reported
Noncompliance material to financial statements noted?	_____ <input checked="" type="checkbox"/> _____ yes	_____ no

**Federal Awards - NOT APPLICABLE**

Internal control over major programs:		
1) Material weakness(es) identified?	_____ yes	_____ no
2) Significant deficiency(ies) identified?	_____ yes	_____ none reported
Type of auditor's report issued on compliance for major programs	_____	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance?	_____ yes	_____ no

Identification of major programs:

<b><u>CFDA Number(s)</u></b>	<b><u>FAIN Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
------------------------------	------------------------------	--

NOT APPLICABLE

Dollar threshold used to determine Type A programs	_____	
Auditee qualified as low-risk auditee?	_____ yes	_____ no

**OCEAN ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**Section I - Summary of Auditor's Results (Continued)**

**State Financial Assistance - NOT APPLICABLE**

Dollar threshold used to determine Type A programs \_\_\_\_\_

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes \_\_\_\_\_ no

Internal control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no

2) Significant deficiency(ies) identified? \_\_\_\_\_ yes \_\_\_\_\_ none reported

Type of auditor's report issued on compliance for major programs \_\_\_\_\_

Identification of major programs:

**State Grant/Project Number(s)**

**Name of State Program**

NOT APPLICABLE

OCEAN ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

**Finding 2018-001**

**Criteria or Specific Requirement:**

Internal controls are in place to ensure proper procurement procedures are followed by Charter School Personnel.

**Condition:**

It was noted during our audit that various purchases did not have properly approved purchase orders, proper supporting documentation or claimant signatures, and in some cases, properly signed checks.

**Cause:**

Lack of standard operating procedures and training in regards to the procurement process.

**Effect:**

The Charter School risks making payments for unauthorized purchases, to unapproved vendors or for items or services that have not been received.

**Recommendation:**

The Charter School needs to properly follow State procurement laws as well as established internal controls. The Charter School should ensure that all employees involved in procurement are properly trained in this area to avoid future discrepancies and breakdowns in internal controls.

**Finding 2018-002**

**Criteria or Specific Requirement:**

Monthly bank reconciliations are completed and reconciled to the Charter School's General Ledger

**Condition:**

It was noted during our audit that the Charter School is not properly reconciling school bank accounts to its general ledger.

**Cause:**

Lack of internal control surrounding the monthly reconciliation process.

**Effect:**

The Charter School risks misstating its cash balance and is susceptible to the misappropriation of assets.

**Recommendation:**

That the Charter School properly reconcile all bank accounts to its general ledger on a monthly basis.

**Finding 2018-003**

**Criteria or Specific Requirement:**

Proper petty cash procedures should be implemented and followed by Charter School Personnel.

**Condition:**

It was noted during our testing of petty cash that proper petty cash procedures are not in place. Petty cash is improperly being utilized to reimburse employees for out of pocket expenses. Petty cash should be used for emergency purchases. Reimbursements to employees should be done through properly approved purchase orders. Further, there was an unreconciled difference noted during our count of the petty cash.

**Cause:**

Lack of internal control surrounding petty cash.

**Effect:**

Petty cash is subject to misuse, abuse and fraud.

**Recommendation:**

That the Charter School implements proper internal controls to ensure that petty cash is properly used and accounted for.

**OCEAN ACADEMY CHARTER SCHOOL  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2018**

**Section III - Federal Awards & State Financial Assistance Findings & Questioned Costs**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

**FEDERAL AWARDS**

N/A - No Federal Single Audit performed in the prior year.

**STATE FINANCIAL ASSISTANCE**

N/A - No State Single Audit performed in the prior year.

**OCEAN ACADEMY CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
YEAR ENDED JUNE 30, 2018**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with Government Auditing Standards, 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 Circular 15-08.

Financial Statement Findings

Not Applicable

Federal Awards

Not Applicable

State Financial Assistance

Not Applicable