

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

***COMPREHENSIVE ANNUAL
FINANCIAL REPORT***

FISCAL YEAR ENDED JUNE 30, 2019

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

***Thomas Edison EnergySmart Charter School
Board of Trustees
Somerset, New Jersey***

***Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2019***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Prepared by

***Thomas Edison EnergySmart Charter School
Finance Department***

And

Barre & Company LLC, CPAs

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INTRODUCTORY SECTION



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November 27, 2019

Honorable President and
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School
County of Somerset
Somerset, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of Thomas Edison EnergySmart Charter School (Charter School) for the fiscal year ended June 30, 2019 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

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

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

Charter School Organization

An elected six-member Board of Education (the “Board”) serves as the policy maker for the Charter School. The Board adopts an annual budget and directly approves all expenditures which serve as the basis for control over and authorization for all expenditures of Charter School tax money.

The Chief Education Officer is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The Financial Coordinator is the chief financial officer of the Charter School, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the Charter School, acting as custodian of all Charter School funds, and investing idle funds as permitted by New Jersey law.

1. REPORTING ENTITY AND ITS SERVICES: Thomas Edison EnergySmart Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by Statement No. 14. All funds and account groups of the Charter School are included in this report. Thomas Edison EnergySmart Charter School Board of Trustees constitutes the Charter School's reporting entity.

Thomas Edison EnergySmart Charter School was granted its charter to operate their charter school during the 2010-2011 academic year, but could not open its doors until September, 2012, for their first school year, due to building issues. Thomas Edison EnergySmart Charter School began its school with grades Kindergarten through Grade 4 for its initial year, and it plans to add a new grade each year up to the 12th Grade.

For the 2018-2019 school year, Thomas Edison EnergySmart Charter School provided a full range of services appropriate to Grades Kindergarten thru 9. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2018-2019 school year with an enrollment of 509 students. The following details the student enrollment of the Charter School.

Average Daily Enrollment (ADE)

<u>Fiscal Year</u>	<u>Actual Student Enrollment</u>	<u>Percent Change - ADE</u>
2018-2019	509	8.18%
2017-2018	471	10.71%
2016-2017	425	26.45%
2015-2016	336	14.51%
2014-2015	294	16.28%

2. MISSION AND GOALS: The mission of the Thomas Edison EnergySmart Charter School is to provide academic and social challenges and opportunities to students, instilling the skills and knowledge that they will need to succeed in their lives. The school aims to forge a powerful partnership out of the student-teacher-parent triad. This partnership will provide and empower our youth with the support necessary to reach their highest potential – intellectually, socially, emotionally and physically – building on their inherent promise to aid in their preparation for college and career. The school's specific goals are to make its students aware of the green renewable resources and the hazards of global warming

MISSION AND GOALS (CONTINUED)

Students are exposed to well-designed common core aligned curriculum. Teacher's 21st century skills and technology to make learning interactive, interesting and engaging for all students. Thomas Edison EnergySmart Charter School also offers after school activities like drama clubs, robotics, I-Pad classes, and similar opportunities to facilitate the well-rounded development of its students.

3. INTERNAL ACCOUNTING CONTROLS: Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) the cost of a control should not exceed the benefits likely to be derived;
- (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Board of Trustees 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 evaluation by the Charter School's management.

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

4. BUDGETARY CONTROLS: In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2019.

5. CASH MANAGEMENT: The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

CASH MANAGEMENT (CONTINUED)

The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

6. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, directors and officers insurance and workmen's compensation.

7. OTHER INFORMATION:

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

Our responsibility is to express an opinion on compliance for each of the Charter School's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements

8. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of Thomas Edison EnergySmart Charter School Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating 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 been accomplished without the efficient and dedicated services of our business office staff.

Respectfully submitted,



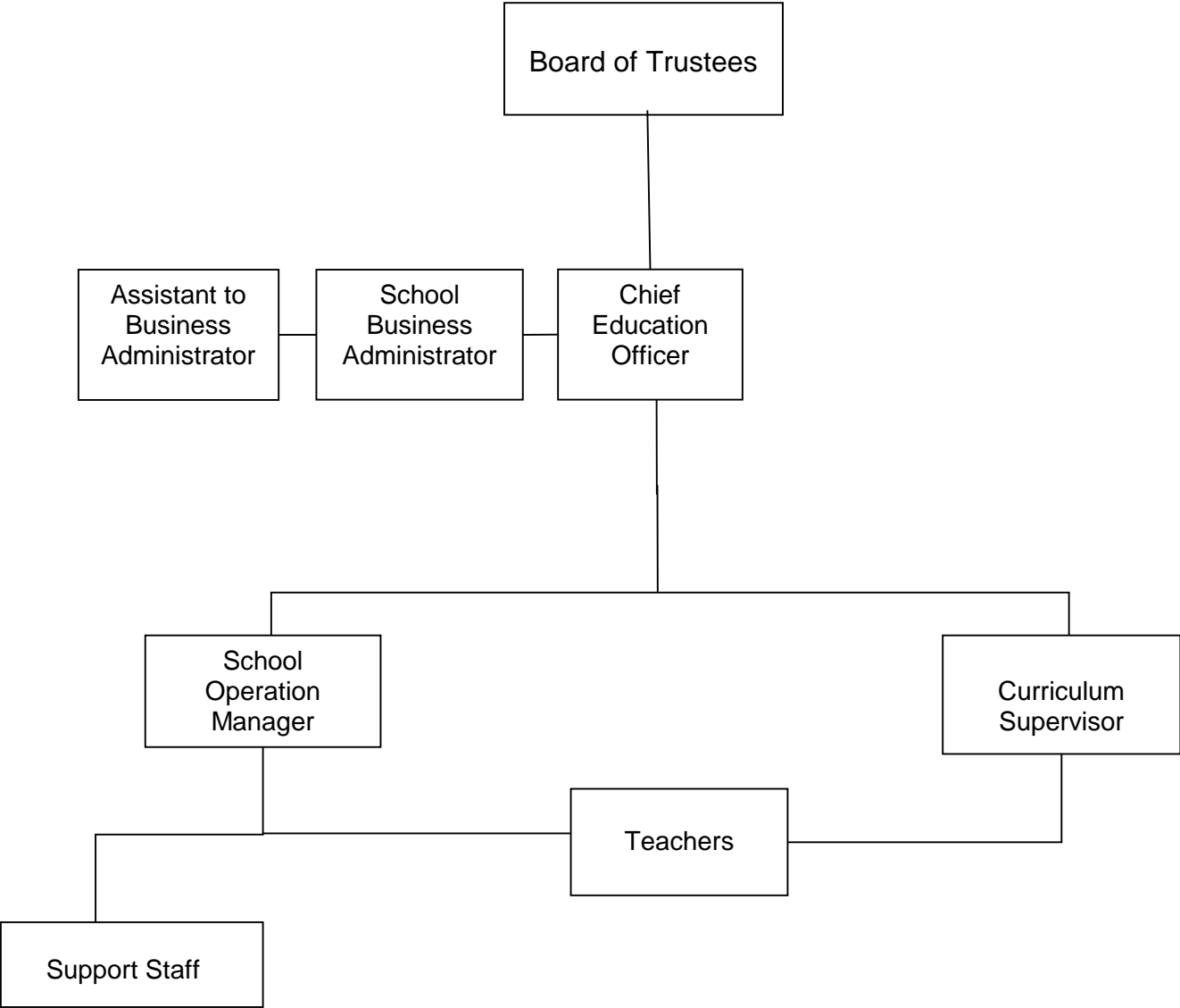
Oguz Yildiz
School Lead Person



Ilgar Sadigov
Business Administrator

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

ORGANIZATIONAL CHART



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2019**

MEMBERS OF THE BOARD OF TRUSTEES

POSITION

Raif Rustamov

President

Keshaw Sahay

Vice President

Stephen Alexis

Trustee

Ashok Munisamy

Trustee

Mehmet Eke

Trustee

Raquel Neri

Trustee

OTHER OFFICIALS

Oguz Yildiz

Lead Person

Ilgar Sadigov

Board Secretary/
Business Administrator

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

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FINANCIAL SECTION

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Independent Auditor's Report

Honorable President
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School
County of Somerset
Somerset, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School (Charter School), in the County of Somerset, State of New Jersey, as of and for the fiscal year ended June 30, 2019, 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

The Charter School's 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 and the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Thomas Edison EnergySmart Charter School, in the County of Somerset, State of New Jersey, as of June 30, 2019, and the respective changes in the 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 following this report, and pension and post-employment benefit schedules in Exhibits L-1 through L-4, and M-1, and the related notes be presented to supplement the basic financial statements and budgetary comparison information in Exhibits C-1 through C-3. 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records use to prepare the basic financial statements.


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

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

Other Reporting Required by *Government Auditing Standards* and the *Division of Finance, Department of Education, State of New Jersey*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the Thomas Edison EnergySmart Charter School's internal control over financial reporting and 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* and the *Division of Finance, Department of Education, State of New Jersey*, in considering the Charter School's internal control over financial reporting and compliance.


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
PSA Number CS-01181

Union, New Jersey
November 27, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

The discussion and analysis of Thomas Edison EnergySmart Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance. Certain comparative information between the current year (2018-2019) and the prior year (2017-2018) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2019 are as follows:

- ❖ General revenues accounted for \$7,280,285 in revenue or 95% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$364,287 or 5% of total revenues of \$7,644,572.
- ❖ The Charter School had \$7,312,351 in expenses; only \$364,287 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7,280,285 were not adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$6,762,648 in revenues and \$5,989,053 in expenditures. The General Fund's fund balance increased \$773,595. This increase was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Thomas Edison EnergySmart Charter School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole Charter School, presenting both an aggregate view of the Charter School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in one column. In the case of Thomas Edison EnergySmart Charter School, the General Fund is by far the most significant fund.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

(CONTINUED)

Reporting the Charter School as a Whole

Statement of Net Positions and the Statement of Activities

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2019?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Charter School's net position and changes in that position. This change in net position is important because it tells the reader that, for the Charter School as a whole, the financial position of the Charter School have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the Charter School is divided into two distinct kinds of activities:

- ❖ Governmental activities — All of the Charter School's programs and services are reported here including instruction, administration, support services, and capital outlay.
- ❖ Business-Type Activity — These services are provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service and School Store enterprise funds are reported as business activities.

Reporting the Charter School's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the Charter School's funds. The Charter School uses many funds to account for a multitude of financial transactions. The Charter School's governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

(CONTINUED)

Governmental Funds (Continued)

cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

Proprietary Fund

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 36 of this report.

The Charter School as a Whole

Recall that the *Statement of Net Positions* provides the perspective of the Charter School as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The Charter School's financial position is the product of several financial transactions including the net results of activities.

The Charter School's combined Net Position were \$1,248,217 for 2019 and \$915,996 for 2018.

Governmental Activities

The Charter School's total revenues were \$7,280,285 for the year ended June 30, 2019 and \$6,315,970 for the year ended June 30, 2018. This includes \$563,542 for 2019 and \$313,946 for 2018 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$6,951,575 for 2019 and \$6,501,965 for 2018. Instruction comprises \$2,737,551 for 2019 and \$2,311,840 for 2018 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

(CONTINUED)

Governmental Activities (Continued)

with the teaching of pupils and the interaction between teacher and student, including extracurricular activities. Administration includes expenses associated with administrative and financial supervision of the Charter School.

Support services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development and the costs associated with operating the facility.

Capital Outlay represents school instructional and/or non-instructional equipment purchased and is capitalized when such equipment is over the \$2,000 threshold.

Business-Type Activity

Revenues for the Charter School's business-type activity (food service program and after care) are comprised of charges for services and federal and state reimbursements.

FOOD SERVICE

- ❖ Revenues exceeded expenses by \$1,696 for 2019 while expenses exceeded revenues by \$6,815 for 2018.
- ❖ Charges for services represent \$71,868 for 2019 and \$83,731 for 2018. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunch, breakfast, and snack programs were \$40,821 for 2019 and \$38,903 for 2018.

AFTER CARE

- ❖ Revenues exceeded expenses by \$1,815 for 2019 while revenues exceeded expenses by \$10,689 for 2018.
- ❖ Charges for services represent \$251,598 for 2019 and \$233,872 for 2018 of revenue. This represents amounts paid by parents for after-care services.

The Charter School's Funds

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$6,905,465 for 2019 and \$6,315,970 for 2018; and expenditures were \$6,131,870 for 2019 and \$7,352,810 for 2018. The net change in fund balance for the year was most significant in the general fund, an increase of \$773,595 in 2019 after a decrease of \$186,688 in 2018..

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

(CONTINUED)

The Charter School's Funds (Continued)

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2019, and the amounts and percentages of increases and decreases in relation to prior year amounts.

Revenues	Amount	Percent of Total	Increase/ (Decrease) From 2018	Percent of Increase/ (Decrease)
Local Sources	\$ 5,419,005	78.47%	\$ 771,110	16.59%
State Sources	1,343,643	19.46%	293,664	27.97%
Federal Sources	142,817	2.07%	7,368	5.44%
Total	\$ 6,905,465	100.00%	\$ 1,072,142	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2019, and the amounts and percentages of increases in relation to prior year amounts.

Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2018	Percent of Increase/ (Decrease)
Instruction	\$ 2,281,180	38.01%	\$ 292,169	14.69%
Administration	1,725,005	28.75%	81,497	4.96%
Support Services	1,994,343	33.24%	(19,773)	-0.98%
Total	\$ 6,000,528	100.00%	\$ 353,893	

Changes in expenditures were the results of varying factors.

General Fund Budgeting Highlights

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
SOMERSET, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
UNAUDITED**

(CONTINUED)

General Fund Budgeting Highlights (Continued)

Over the course of the year, the Charter School revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line item accounts.

Capital Assets (Net of Depreciation)

The Charter School had \$778,184 invested in capital assets at the end of the fiscal year 2019 and \$850,845 at the end of fiscal year 2018.

For the Future

Thomas Edison EnergySmart Charter School is in good financial condition presently. The Charter School is proud of its community support. A major concern is the continued enrollment growth of the Charter School with the increased reliance on federal and state funding.

In conclusion, Thomas Edison EnergySmart Charter School has committed itself to financial excellence for many years. In addition, the Charter School's system for financial planning, budgeting, and internal financial controls are well regarded. The Charter School plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Oguz Yildiz, School Lead Person at Thomas Edison EnergySmart Charter School, 150 Pierce Street, Somerset, New Jersey, 08873. Please visit their website at energysmartschool.org.

BASIC FINANCIAL STATEMENTS

SECTION A – CHATER SCHOOL-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the Charter School. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the Charter School.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Statement of Net Positions
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,074,574	\$ 89,345	\$ 1,163,919
Interfund Receivables	35,765		35,765
Receivables	364,231	1,260	365,491
Prepaid Expenses	67,300		67,300
Capital Assets, Net	778,184		778,184
Total Assets	2,320,054	90,605	2,410,659
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions	1,520,158		1,520,158
Total Deferred Outflows of Resources	1,520,158		1,520,158
LIABILITIES:			
Interfund Payable	17,423	41	17,464
Payable to District	13,664		13,664
Accounts Payable	12,855		12,855
Noncurrent Liabilities:			
Net Pension Liability	1,926,971		1,926,971
Total Liabilities	1,970,913	41	43,983
DEFERRED INFLOWS OF RESOURCES:			
Pensions	711,646		711,646
Total Deferred Inflows of Resources	711,646		711,646
NET POSITIONS:			
Invested in Capital Assets, Net of Related Debt	778,184		778,184
Unassigned	379,469	90,564	470,033
Total Net Position	\$ 1,157,653	\$ 90,564	\$ 1,248,217

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Statement of Activities
 For The Fiscal Year Ended June 30, 2019

Functions/Programs	Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction	\$ 2,281,180	\$ 456,371	\$ -	\$ -	\$ -	\$ (2,737,551)	\$ -	\$ (2,737,551)
Administration	1,899,026	98,085				(1,997,111)		(1,997,111)
Support Services	1,994,343	149,909				(2,144,252)		(2,144,252)
Unallocated Depreciation	72,661					(72,661)		(72,661)
Total Governmental Activities	6,247,210	704,365	-	-	-	(6,951,575)	-	(6,951,575)
BUSINESS-TYPE ACTIVITIES:								
Food Service and After Care	360,776		323,466	40,821			3,511	3,511
Total Business-Type Activities	360,776		323,466	40,821			3,511	3,511
Total Primary Government	\$ 6,607,986		\$ 323,466	\$ 40,821	\$ -	\$ (6,951,575)	\$ 3,511	\$ (6,948,064)
GENERAL REVENUES								
General Purposes						5,382,173		5,382,173
Federal and State Aid Not Restricted						1,861,280		1,861,280
Miscellaneous Income						36,832		36,832
Total General Revenues						7,280,285		7,280,285
Change in Net Position						328,710	3,511	332,221
Net Position - Beginning of Year						828,943	87,053	915,996
Net Position - Ending						\$ 1,157,653	\$ 90,564	\$ 1,248,217

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

SECTION B – FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

GOVERNMENTAL FUNDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Governmental Funds
Balance Sheet
June 30, 2019

	General Fund	Special Revenue Fund	Total
ASSETS:			
Cash and Cash Equivalents	\$ 1,057,151	\$ 17,423	\$ 1,074,574
Interfund Receivables	35,765		35,765
Receivables from Other Governments	364,231		364,231
Security Deposit	67,300		67,300
Total Assets	\$ 1,524,447	\$ 17,423	\$ 1,541,870
 LIABILITIES AND FUND BALANCES:			
Liabilities:			
Interfund Payables	\$ -	\$ 17,423	\$ 17,423
Payables to District	13,664		13,664
Accounts Payable	12,855		12,855
Total Liabilities	26,519	17,423	43,942
 Fund Balances:			
Unassigned:			
General Fund	1,497,928		1,497,928
Total Fund Balances	1,497,928	-	1,497,928
Total Liabilities and Fund Balances	\$ 1,524,447	\$ 17,423	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of the assets is \$959,836 and the accumulated depreciation is \$181,652.	778,184
Net pension liability of \$1,926,971, deferred inflows of resources of \$711,646 less deferred outflows of resources of \$1,520,158 related to pensions are not reported in the governmental funds	(1,118,459)
Net Position of Governmental Activities	\$ 1,157,653

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 5,382,173	\$ -	\$ 5,382,173
Interest on Investments			-
Miscellaneous	36,832		36,832
Total Local Sources	5,419,005	-	5,419,005
State Sources	1,343,643		1,343,643
Federal Sources		142,817	142,817
Total Revenues	6,762,648	142,817	6,905,465
EXPENDITURES:			
Current:			
Instruction	2,202,066	79,114	2,281,180
Administration	1,856,347		1,856,347
Support Services	1,930,640	63,703	1,994,343
Total Expenditures	5,989,053	142,817	6,131,870
NET CHANGE IN FUND BALANCES	773,595	-	773,595
FUND BALANCES, JULY 1	724,333	-	724,333
FUND BALANCES, JUNE 30	\$ 1,497,928	\$ -	\$ 1,497,928

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

THOMAS EDISON ENERGYSMART 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, 2019

Total net change in fund balances - governmental funds (B-2)	\$	773,595
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, on the statement of activities, the cost of those assets which are capitalized are allocated over their estimated useful lives as depreciation expense in the current fiscal year.</p>		
Capital Asset Addition		
Depreciation Expense	(72,661)	(72,661)
<p>Pension costs associated with the PERS pension plan are reported in the governmental funds as expenditures in the year the school pension contribution is paid. However, on the statement of activities, the net difference between the current and prior year net pension liability is recognized</p>		
		(372,224)
Change in net position of governmental activities	\$	328,710

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

PROPRIETARY FUNDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Proprietary Fund
Statement of Fund Net Position
June 30, 2019

	Business-Type Activities Enterprise Funds		
	Food Service	After Care	Total
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 21,169	\$ 68,176	\$ 89,345
Intergovernmental Accounts Receivable:			
Federal	1,212		1,212
State	48		48
Total Current Assets	<u>22,429</u>	<u>68,176</u>	<u>90,605</u>
Total Assets	<u>\$ 22,429</u>	<u>\$ 68,176</u>	<u>\$ 90,605</u>
LIABILITIES AND NET POSITION:			
Liabilities:			
Current Liabilities:			
Interfund Accounts Payable	\$ 41	\$ -	\$ 41
Total Current Liabilities	<u>41</u>	<u>-</u>	<u>41</u>
Total Liabilities	<u>41</u>	<u>-</u>	<u>41</u>
Net Position:			
Unassigned	<u>22,388</u>	<u>68,176</u>	<u>90,564</u>
Total Net Position	<u>22,388</u>	<u>68,176</u>	<u>90,564</u>
Total Liabilities and Net Position	<u>\$ 22,429</u>	<u>\$ 68,176</u>	<u>\$ 90,605</u>

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	Business-Type Activities			Total Enterprise
	Enterprise Fund			
	School Nutrition	Fixed Contract Price	After Care Program	
OPERATING REVENUES:				
Charges for Services:				
Daily Sales - Reimbursable Program	\$ 63,005			\$ 63,005
Daily Sales Non-reimbursable Program	6,726		251,598	258,324
Miscellaneous Revenue	2,137			2,137
Total Operating Revenues	<u>71,868</u>	-	<u>251,598</u>	<u>323,466</u>
OPERATING EXPENSES:				
Salaries	8,213		173,414	181,627
Supplies and Materials	2,146		76,369	78,515
Cost of Sales - Reimbursable Programs	93,246			93,246
Cost of Sales - Non Reimbursable Programs	2,291			2,291
Miscellaneous Expenses	5,097			5,097
Total Operating Expenses	<u>110,993</u>	-	<u>249,783</u>	<u>360,776</u>
OPERATING INCOME (LOSS)	<u>(39,125)</u>	-	<u>1,815</u>	<u>(37,310)</u>
NONOPERATING REVENUES:				
Interest Earned				-
State Source:				
State School Lunch Program	1,438			1,438
Federal Source:				
National School Breakfast Program	4,741			4,741
National School Lunch Program	34,642			34,642
Total Nonoperating Revenues	<u>40,821</u>	-	-	<u>40,821</u>
CHANGE IN NET POSITION	1,696	-	1,815	3,511
TOTAL NET POSITION, JULY 1	<u>20,692</u>	-	<u>66,361</u>	<u>87,053</u>
TOTAL NET POSITION, JUNE 30	<u>\$ 22,388</u>	<u>\$ -</u>	<u>\$ 68,176</u>	<u>\$ 90,564</u>

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Proprietary Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019
(Initial Year)

	Business-Type Activities Enterprise Fund		
	Food Service	After Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	73,288	\$ 251,598	\$ 324,886
Cash Payments to Suppliers and Employees	(110,952)	(249,783)	(360,735)
Net Cash Provided By (Used In) Operating Activities	(37,664)	1,815	(35,849)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash Received From State And Federal Reimbursements	40,821		40,821
Net Cash Provided By Noncapital Financing Activities	40,821	-	40,821
Net Increase (Decrease) In Cash And Cash Equivalents	3,157	1,815	4,972
Cash And Cash Equivalents, Beginning Of Year	18,012	66,361	84,373
Cash And Cash Equivalents, End Of Year	<u>\$ 21,169</u>	<u>\$ 68,176</u>	<u>\$ 89,345</u>
Reconciliation of Operating Loss to Net Cash Provided By (Used in)			
Operating Activities:			
Operating Income (Loss) Used in Operating Activities	\$ (39,125)	\$ 1,815	\$ (37,310)
Increase in Receivables From Other Governments	1,420		1,420
Increase (Decrease) In Interfund Payable	41		41
Decrease In Accounts Payable			-
Net Cash Provided By (Used In) Operating Activities	<u>\$ (37,664)</u>	<u>\$ 1,815</u>	<u>\$ (35,849)</u>

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

FIDUCIARY FUNDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2019

	<u>Unemployment Compensation Insurance</u>	<u>Agency Fund</u>
ASSETS:		
Cash and Cash Equivalents	<u>\$ 34,118</u>	<u>\$ 28,275</u>
Total Assets	<u>34,118</u>	<u>\$ 33,459</u>
LIABILITIES:		
Interfund Accounts Payable		\$ 23,485
Due to Student Groups		<u>9,974</u>
Total Liabilities	<u>-</u>	<u>\$ 33,459</u>
NET POSITION:		
Reserved for Encumbrances		
Reserved for Unemployment Claims	31,727	
Unreserved	<u>2,391</u>	
Total Net Position	<u>\$ 34,118</u>	

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Fiduciary Funds

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2019

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	\$ 6,740
Interest Income	<u>440</u>
Total Additions	<u>7,180</u>
DEDUCTIONS:	
Total Deductions	<u>-</u>
CHANGE IN NET POSITION	7,180
NET POSITION - BEGINNING OF THE YEAR	<u>26,938</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 34,118</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of Thomas Edison EnergySmart Charter School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the accounting standard-setting body responsible for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School.

B. Basis of Presentation

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

Charter School-Wide Statements: The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the Charter School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

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

The Charter School reports the following governmental funds:

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

As required by the New Jersey State 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 and appropriated fund balance. Expenditures are those

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

Basis of Presentation (Continued)

General Fund (Continued)

that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

Enterprise (Food Service and After Care) Fund: The enterprise fund accounts for all revenues and expenses pertaining to the Charter School's Food Service operations, and After School Care services. These funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the Charter School reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the Charter School on behalf of others which includes Net Payroll Fund, Payroll Agency Fund, Unemployment Compensation Trust Fund and Student Activities Fund.

C. Basis of Accounting – Measurement Focus

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting – Measurement Focus (Continued)

Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements: The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Budgets/Budgetary Control

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets/Budgetary Control (Continued)

All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

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

The accounting records of 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 following presents a reconciliation of the special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting:

	2018	0
Total Revenues & Expenditures (Budgetary Basis)	\$ 135,449	\$ 234,432
Adjustments:		
Less Encumbrances at June 30, 2018	-	-
Plus Encumbrances at January 0, 1900	-	-
Total Revenues and Expenditures (GAAP Basis)	\$ 135,449	\$ 234,432

E. Encumbrances Accounting

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

Encumbrances Accounting (Continued)

Open encumbrances in the special revenue fund for which the Charter School has received advances are reflected in the balance sheet as deferred revenues 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.

F. Assets, Liabilities, and Equity

Interfund Transactions:

Transfers between governmental and business-type activities on the Charter School - 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 the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Allowance for Uncollectible Accounts:

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

Capital Assets:

The Charter School has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The capitalization threshold used by Charter Schools in the State of New Jersey is \$2,000.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Capital Assets (Continued)

All reported capital assets except for land are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office & Computer Equipment	10-15
Instructional Equipment	10
Grounds Equipment	15

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlement received before the eligibility requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the Charter School - wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are 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. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues — Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: interest and tuition.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Equity (Continued)

Allocation of Indirect Expenses (Continued)

Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

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

Accrued Salaries and Wages:

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

G. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net pension of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. IMPACT OF RECENTLY ISSUED ACCOUNTING POLICIES

During fiscal year 2019, the District adopted the following GASB statements as required:

Other accounting standards that the Charter School is currently reviewing for applicability and potential impact on the financial statements include:

There are no recently issued and adopted accounting pronouncements for fiscal year ended June 30, 2019.

The GASB has issued the following Statements that will become effective for the Charter School for fiscal years ending after June 30, 2019

GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.

GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Cash and cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less. Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

As a result of GASB 40, effective June 15, 2004, custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The previous GASB Statement No. 3 disclosures generally referred to as Category 1 and Category 2 deposits and investments are eliminated. However, GASB No. 40 does not change the required disclosure of authorized investments or the requirements for reporting certain repurchase agreements and reverse repurchase agreements, and it maintains, with modification, the level-of-detail disclosure requirements of GASB Statement No. 3.

Deposits

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

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.
- d. The Charter School had no investments as of June 30, 2019. Cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 1,074,574	\$ 17,423	\$ 89,345	\$ 62,393	\$ 1,243,735

- e. The carrying amount of the Board's cash and cash equivalents at June 30, 2019 was \$1,243,735 and the bank balance was \$1,484,212. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Risk Category

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

As of June 30, 2019, the Board had funds invested and on deposit in checking accounts. These funds constitute “deposits with financial institutions” as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board’s name, both at year-end and throughout the year.

New Jersey Cash Management Fund

All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2019, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 3: RECEIVABLES

Receivables at June 30, 2019, consisted of accounts, intergovernmental, grants, and miscellaneous.

All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 364,231	\$ 364,279
Federal Aid	-	1,212
Other	-	-
Gross Receivables	364,231	365,491
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	\$ 364,231	\$ 365,491

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 4: INTERFUND TRANSFERS AND BALANCES

Transfers between funds are used to repay expenses paid by another fund.

The following interfund balances remained on the fund financial statements at June 30, 2019:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 35,765	\$ -
Special Revenue Fund		17,423
Proprietary Fund		41
Fiduciary Fund	5,184	23,485
Total	\$ 40,949	\$ 40,949

NOTE 5: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Site Improvements	\$ 894,800	\$ -	\$ -	\$ 894,800
Machinery and Equipment	65,036	-	-	65,036
Totals at Historical Cost	959,836	-	-	959,836
Less Accumulated Depreciation For:				
Site Improvements	89,480	59,654	-	149,134
Machinery and Equipment	19,511	13,007	-	32,518
Total Accumulated Depreciation	108,991	72,661	-	181,652
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	850,845	(72,661)	-	778,184
Government Activity Capital Assets, Net	\$ 850,845	\$ (72,661)	\$ -	\$ 778,184

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by Charter Schools in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the Charter School has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense of \$72,661 was charged to an unallocated function.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2019

NOTE 6: RENTAL LEASES

By way of Lease Agreement dated April 23, 2015, the Charter School leased new space for their school operations at a new building located at 150 Pierce Street, Somerset, NJ. Term of the lease is for five (5) years with successive options to renew. The rental payments amounted to \$942,000 for the year ended June 30, 2019. Future minimum lease payments are as follows:

June 30,	Annual Rent
2020 to 2031	\$900,000
Thereafter	\$4,921,569

NOTE 7: PENSION PLANS

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

A. Public Employees’ Retirement System (PERS)

Plan Description

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

Benefits Provided

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

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Benefits Provided (Continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to tier 5 members upon 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age of which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology and Reconciliation to Financial Statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Allocation Methodology and Reconciliation to Financial Statements (Continued)

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amounts by employer. The allocation percentages for each group as of June 30, 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2018.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarially determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ 98,847 for fiscal year 2019.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

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

At June 30, 2019, the Charter School reported a liability of \$ 1,926,971 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, which was rolled forward to June 30, 2018. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Charter School's proportion was 0.00978670% which was an increase of 0.00218841% from its proportion measured as of June 30, 2017. For the fiscal year ended June 30, 2019, the Charter School recognized pension expense of \$ 70,390. At June 30, 2018, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 317,533	\$ 616,143
Changes in Proportion	\$ -	\$ 9,936
Difference between Expected and Actual Experience	\$ 1,165,877	\$ 67,492
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 36,748	\$ 18,075
	\$ 1,520,158	\$ 711,646

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.48, 5.57, 5.72 and 6.44 years for the 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Changes in Proportion (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ 13,374
2020	(18,517)
2021	(132,779)
2022	(115,095)
2023	(36,855)
	\$ (289,871)

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% based on age
Thereafter	2.65-5.15% based on age
Investment Rate of Return	7.00%

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 01, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member rates and that contributions from employers will be made based on the contributions rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan investments was applied to projected benefit payment through June 30, 2046. Therefore the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2018, calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2018			
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
CS / District's proportionate share of the Net Pension Liability	\$ 2,422,921	\$ 1,926,952	\$ 1,510,867

Fiscal Year Ended June 30, 2017			
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
CS / District's proportionate share of the Net Pension Liability	\$ 2,194,266	\$ 1,768,759	\$ 1,414,260

Pension Plan Fiduciary Net Position

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

B. Teacher's Pension Annuity Fund (TPAF)

Pension Description

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

Benefit Provided

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

Tier	Descriptions
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008, 2010 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows in resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

Contributions

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2018, the State's pension contribution was less than the actuarially determined amount.

Special Funding Situation

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal year ended 2019, the State of New Jersey contributed \$ 18,631 to the TPAF for normal pension benefits on behalf of the Charter School, which is less than the contractually required contribution of \$ 120,828

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

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

As June 30, 2018, the State's proportionate share of the net pension liability associated with the Charter School was \$ 8,267,981

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the Charter School's proportion was 0.0129983%, which was an increase of 0.0022381% from its proportion measured as of June 30, 2017.

District's Proportionate Share of the Net Pension Liability	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the District	8,267,981
	8,267,981
Total	\$ 8,267,981

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the Charter School in the amount of \$ 196,459 and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 11,053,759,853	\$ 18,078,750,001
Difference Between Expected and Actual Experience	1,420,239,017	96,229,812
Changes in Proportion and differences between employer contributions and proportionate share of contributions		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	-	5,793,830
	\$ 12,473,998,870	\$ 18,180,773,643

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$12,473,998,870 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$18,180,773,643 reported as deferred inflow of resources resulted from the difference between projected and actual.

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	\$ (3,706,774,773)

Actuarial Assumptions

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

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

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Actuarial Assumptions (continued)

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension investments (7.00% as of June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2018 is summarized in the following table:

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was (4.86%) as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2017 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rates in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the Charter School's proportionate share of the collective net pension liability as of June 30, 2018, calculated using the discount rate as disclosed below, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Fiscal Year Ended June 30, 2018			
	1% Decrease (3.86%)	Current Discount Rate (4.86%)	1% Increase (5.86%)
CS / District's proportionate share of the Net Pension Liability	\$ 9,803,061	\$ 8,293,755	\$ 7,042,577

For the Fiscal Year Ended June 30, 2017			
	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
CS / District's proportionate share of the Net Pension Liability	\$ 8,650,625	\$ 7,281,479	\$ 6,153,570

Pension Plan Fiduciary Net Position – TPAF

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 7: PENSION PLANS (CONTINUED)

C. Defined Contribution Retirement Program (DCRP)

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

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

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

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

For DCRP, the Charter School did not recognize any pension expense for the fiscal year ended June 30, 2019. There were no employee contributions to DCRP for the fiscal year ended June 30, 2019.

NOTE 8: POST-RETIREMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan Description and Benefits Provided

The school is in a "special funding situation, as described in GASB Statement No. 75 in that OPEB contributions and expense are legally required to be made by and are the sole responsibility of the State of New Jersey.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information About the OPEB Plan (Continued)

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

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

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

Active plan member	217,131
Inactive plan members entitled to but not yet receiving benefits	145,050
Inactive plan members or beneficiaries currently receiving benefits	-
Total	362,181

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information About the OPEB Plan (Continued)

Actuarial Assumptions and Other Inputs

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

Inflation Rate	2.50%			
		<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary Increases Through 2026		1.55% to 4.55% based on years of service	2.15% to 4.15% based on age	2.10% to 8.98% based on age
Rate thereafter		2.00% to 5.45% based on years of service	3.15% to 5.15% based on age	3.15% to 9.98% based on age

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2010 - June 30, 2013, and July 1, 2011 - June 30, 2014 for TPAF, PFRS and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.8% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information About the OPEB Plan (Continued)

Health Care Trend Assumptions (continued)

For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount rate

The discount rate for June 30, 2018 was 3.87%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Balance at June 30, 2017	\$	1,940,554
Service cost		353,571
Interest on Total OPEB Liability		81,381
Difference between expected and actual experience		(511,445)
Effect of Changes of Assumptions		(187,547)
Contributions - Employee		1,510
Gross Benefits Paid by the State		<u>(43,701)</u>
Net Changes		<u>(306,231)</u>
Balance at June 30, 2018		<u>1,634,323</u>

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

The following presents the total nonemployer OPEB liability as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year Ended June 30, 2018		
	At 1% Decrease (2.87%)	At current discount rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability	\$ 1,932,102	\$ 1,634,323	\$ 1,397,619

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information About the OPEB Plan (Continued)

The following presents the total nonemployer OPEB liability as of June 30, 2018 calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	Fiscal Year Ended June 30, 2018		
	At 1% decrease	Trend Rate	At 1% Increase
Total OPEB Liability	\$ 1,350,863	\$ 1,634,323	\$ 2,009,210

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

For the fiscal year ended June 30, 2019 the Charter School recognized OPEB expense of \$ 374,820 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

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

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between Actual and Expected Experience	\$ -	\$ 158,648
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	-	-
Assumption Changes	-	(573,806)
Sub Total	-	(415,158)
Contributions Made in Fiscal Year 2019 after June 30, 2018 Measurement Date	N/A	N/A
Total	-	(415,158)

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 8: POST-RETIREMENT BENEFITS (CONTINUED)

General Information About the OPEB Plan (Continued)

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

Fiscal Year ending June 30			
2019	\$	(64,692)	
2020	\$	(64,692)	
2021	\$	(64,692)	
2022	\$	(64,692)	
2023	\$	(64,692)	
Total Thereafter	\$	<u>(201,530)</u>	
	\$	<u>(524,989)</u>	

NOTE 9: 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.

New Jersey Unemployment Compensation Insurance

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State. The table is a summary of charter school contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the charter school's expendable trust for the current and previous year:

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Basic Financial Statements
June 30, 2019

NOTE 9: RISK MANAGEMENT (CONTINUED)

New Jersey Unemployment Compensation Insurance (Continued)

Fiscal Year	Charter School Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017-2018	\$ -	\$ 6,174	\$ -	\$ 26,938
2016-2017	-	5,652	-	20,531
2015-2016	-	4,809	-	14,870

NOTE 10: FUND BALANCE APPROPRIATED

General Fund

Of the \$1,497,928 fund balance total in General Fund at June 30, 2019, \$0 is unreserved and undesignated.

NOTE 11 SUBSEQUENT EVENTS

The Thomas Edison Smart Charter School's management has informed us that there are no significant events that need to be disclosed after the balance sheet date through the date of the audit which was November 27, 2019.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

SECTION C – BUDGETARY COMPARISON SCHEDULES

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Levy Budget:					
District Equalization - Charter School Aid	\$ 5,637,942	\$ (255,843)	\$ 5,382,099	\$ 5,382,173	\$ 74
Total Local Levy	5,637,942	(255,843)	5,382,099	5,382,173	74
Categorical Aid:					
Equalization Aid	690,676	(39,363)	651,313	652,994	1,681
Special Education Aid	88,077	(6,261)	81,816	81,816	-
Categorical Security Aid	54,934	(9,495)	45,439	45,291	(148)
Total Categorical Aid	833,687	(55,119)	778,568	780,101	1,533
Revenues From Other Sources:					
Transportation Fees					
Interest Income					
Miscellaneous Revenue				36,832	36,832
On-Behalf TPAF Pension Aid (Non-Budgeted)				286,978	286,978
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)				130,173	130,173
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)				1,169	1,169
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				145,222	145,222
Total Revenues From Other Sources	-	-	-	600,374	600,374
Total Revenues	6,471,629	(310,962)	6,160,667	6,762,648	601,981
EXPENDITURES:					
Instruction:					
Salaries of Teachers	2,023,316	(81,070)	1,942,246	1,839,965	102,281
Other Salaries for Instruction	94,200	8,850	103,050	87,823	15,227
Purchased Prof/Tech Services	54,599	(15,153)	39,446	27,803	11,643
Other Purchased Services	61,000	(23,450)	37,550	34,620	2,930
General Supplies	138,000	26,000	164,000	102,447	61,553
Textbooks	150,000	(60,000)	90,000	74,121	15,879
Miscellaneous	52,000	(4,000)	48,000	35,287	12,713
Total Instruction	2,573,115	(148,823)	2,424,292	2,202,066	222,226
Administration:					
Salaries - General Administration	315,306	7,121	322,427	322,127	300
Salaries of Secretarial/Clerical Assistants	145,822	(50,622)	95,200	92,200	3,000
Total Benefits Cost	948,225	(5,232)	942,993	803,212	139,781
Purchases Prof/Tech Services	64,600	(15,000)	49,600	20,764	28,836
Other Purchased Services	9,000	3,350	12,350	5,169	7,181
Communications/Telephone	25,000		25,000	17,244	7,756
Supplies and Materials	34,000	(5,000)	29,000	12,370	16,630
Miscellaneous Expenses	31,500	(5,000)	26,500	19,719	6,781
Total Administration	1,573,453	(70,383)	1,503,070	1,292,805	210,265

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
General Fund
Budgetary Comparison Schedule
Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 692,901	\$ (23,775)	\$ 669,126	\$ 633,242	\$ 35,884
Purchased Prof/Ed Services	123,000	(2,849)	120,151	71,609	48,542
Rental of Land and Buildings	942,000		942,000	942,000	-
Other Purchased Services	157,400	(16,050)	141,350	110,937	30,413
Transportation-Other Than To/From School	25,000	23,000	48,000	39,274	8,726
Insurance for Property, Liability and Fidelity	38,510		38,510	37,600	910
Supplies and Materials	73,500	(33,963)	39,537	6,256	33,281
Energy Costs (Heat and Electricity)	120,000	(15,000)	105,000	89,722	15,278
Total Support Services	2,172,311	(68,637)	2,103,674	1,930,640	173,034
Capital Outlay:					
Instructional Equipment					
Miscellaneous Expenses					
Total Capital Outlay	-	-	-	-	-
On-Behalf TPAF Pension Contributions (Non-Budgeted)				286,978	(286,978)
On-Behalf TPAF Post-Retirement Medical Contributions (Non-Budgeted)				130,173	(130,173)
On-Behalf TPAF Long-Term Disability Contributions (Non-Budgeted)				1,169	(1,169)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	145,222	(145,222)
Total Expenditures	6,318,879	(287,843)	6,031,036	5,989,053	41,983
Excess (Deficiency) of Revenues Over (Under) Expenditures	152,750	(23,119)	129,631	773,595	643,964
FUND BALANCE, JULY 1	725,739	-	725,739	724,333	(1,406)
FUND BALANCE, JUNE 30	\$ 878,489	\$ (23,119)	\$ 855,370	\$ 1,497,928	\$ 642,558
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	\$ 878,489	\$ (23,119)	\$ 855,370	\$ 1,497,928	\$ 642,558
Total	\$ 878,489	\$ (23,119)	\$ 855,370	\$ 1,497,928	\$ 642,558

See Management's Discussion and Analysis section of this report for explanation of significant budget variances, original and final.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Special Revenue Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE SOURCES:					
Federal	\$ 135,449	\$ 7,368	\$ 142,817	\$ 142,817	\$ -
Total Revenues	<u>135,449</u>	<u>7,368</u>	<u>142,817</u>	<u>142,817</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries	57,834	(580)	57,254	57,254	-
Purchased Prof/Tech Services	7,401	(102)	7,299	7,299	-
General Supplies	13,000	1,561	14,561	14,561	-
Total Instruction	<u>78,235</u>	<u>879</u>	<u>79,114</u>	<u>79,114</u>	<u>-</u>
Support Services:					
Salaries	32,047	3,033	35,080	35,080	-
Personal Services - Employee Benefits	25,167	3,456	28,623	28,623	-
Total Support Services	<u>57,214</u>	<u>6,489</u>	<u>63,703</u>	<u>63,703</u>	<u>-</u>
Total Expenditures	<u>135,449</u>	<u>7,368</u>	<u>142,817</u>	<u>142,817</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Required Supplementary Information

Budgetary Comparison Schedule

Note to RSI

Fiscal Year Ended June 30, 2019

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/Inflows of Resources			
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 6,762,648		[C-2] \$ 142,817
 Difference - Budget to GAAP			
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized			-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ <u>6,762,648</u>		[B-2] \$ <u>142,817</u>
 Uses/Outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 5,989,053		[C-2] \$ 142,817
 Differences - Budget to GAAP:			
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.			-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ <u>5,989,053</u>		[B-2] \$ <u>142,817</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 3 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2017	2018	2019
Charter School's proportion of the net pension liability	0.00619008%	0.007598290%	0.009786700%
Charter School's proportionate share of the net pension liability	\$ 1,183,048	\$ 1,779,917	\$ 1,926,971
Charter School's covered employees payroll	\$ 1,080,422	\$ 1,254,656	\$ 563,019
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	109%	142%	342%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	31.20%	31.20%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 3 FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2017	2018	2019
Contractually required contribution	\$ 46,641	\$ 78,372	\$ 98,847
Contributions in relation to the contractually required contribution	(48,449)	(78,372)	(98,847)
Contribution deficiency/(excess)	\$ (1,808)	\$ -	\$ -
Charter School's covered employee payroll	\$ 1,080,422	\$ 1,254,656	\$ 563,019
Contributions as a percentage of covered employee payroll	4.32%	6.25%	17.56%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER'S PENSION AND ANNUITY FUND
LAST 3 FISCAL YEARS
UNAUDITED**

	Fiscal Year Ending June 30,		
	2017	2018	2019
State's proportion of the net pension liability attributable of the Charter School	0.01293490%	0.01076024%	0.01299832%
State's proportionate share of the net pension liability attributable to the Charter School	\$ 6,537,215	\$ 7,254,944	\$ 8,267,981
Charter School's covered employees payroll	\$ 4,209,720	\$ 2,744,160	\$ 2,025,078
Charter School's proportionate share of the net pension liability as a percentage of it's covered employee payroll	155.29%	264.38%	408.28%
Plan fiduciary net position as a p ercentage of the total pension liability	22.33%	22.33%	25.41%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF THE CHARTER SCHOOL CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST 3 FISCAL YEARS
UNAUDITED**

	Fiscal Year Ending June 30,		
	2017	2018	2019
Contractually required contribution	\$ 58,423	\$ 120,828	\$ 120,828
Contributions in relation to the contractually required contribution	(7,746)	(12,168)	(18,631)
Contribution deficiency/(excess)	<u>\$ 50,677</u>	<u>\$ 108,660</u>	<u>\$ 102,197</u>
Charter School's covered employee payroll	\$ 4,209,720	\$ 2,744,160	\$ 2,025,078
Contributions as a percentage of covered employee payroll	1.39%	4.40%	5.97%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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

Thomas Edison EnergySmart Charter School
Required Supplementary Information Schedules
Schedule of Changes in the Charter School's Net OPEB Liability and Related Ratios
Last Three Fiscal Years
(Unaudited)

	Fiscal Years Ending		
	June 30, 2017	June 30, 2018	June 30, 2019
OPEB Liability at Beginning of Measurement Period		\$ 1,870,227	\$ 1,940,554
Service cost		427,500	353,571
Interest on Total OPEB Liability		64,873	81,381
Difference between expected and actual experience	NOT AVAILABLE		(511,445)
Effect of Changes of Assumptions		(378,754)	(187,547)
Contributions - Employee		1,655	1,510
Gross Benefits Paid by the State		(44,947)	(43,701)
		<u>70,327</u>	<u>(306,231)</u>
Net Change in Total OPEB Liability	NOT AVAILABLE		
OPEB Liability at Beginning of Measurement Period		<u>1,870,227</u>	<u>1,940,554</u>
		<u>1,940,554</u>	<u>1,634,323</u>
Total OPEB Liability at End of Measurement Period		<u>1,940,554</u>	<u>1,634,323</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Notes to Schedule:

Changes in benefit terms:

None

Differences Between Expected and Actual Experiences:

There is no change in the Total OPEB Liability from June 30, 2016 to June 30, 2017 due to differences in expenses and actual experiences. The decrease in liability from June 30, 2017 to June 30, 2018 is due to changes in census, claims and premiums experience

Changes in Assumptions:

The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% to 3.58% as of June 30, 2017 and as of June 30, 2018, respectively.

The decrease in the liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018; and a decrease in the assumed health care cost trend and excise tax assumptions.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION III

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES RETIREMENT SYSTEM
FOR FISCAL YEAR ENDED JUNE 30, 2019

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018 in accordance with Paragraph 44 of GASB Statement No. 67.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHER'S PENSION AND ANNUITY FUND
FOR FISCAL YEAR ENDED JUNE 30, 2019

A. Benefit Changes

There were none.

B. Changes in Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

**SECTION E – SPECIAL REVENUE FUND
DETAIL STATEMENTS**

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis

For the Fiscal Year Ended June 30, 2019

	NCLB Title I	I.D.E.A. Part B	NCLB Title II Part A	NCLB Title IV	Grand Total
REVENUE SOURCES:					
State					-
Federal	\$ 53,780	\$ 67,177	\$ 11,860	\$ 10,000	\$ 142,817
Total Revenues	53,780	67,177	11,860	10,000	142,817
EXPENDITURES:					
Instruction:					
Salaries	41,054	16,200	7,299		57,254
Purchased Prof/Tech Services			4,561	10,000	7,299
General Supplies					14,561
Total Instruction	41,054	16,200	11,860	10,000	79,114
Support Services:					
Salaries		35,080			35,080
Personal Services - Employee Benefits	12,726	15,897			28,623
Total Support Services	12,726	50,977	-	-	63,703
Total Expenditures	53,780	67,177	11,860	10,000	142,817
Total Outflows	53,780	67,177	11,860	10,000	142,817
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

**SECTION G – PROPRIETARY FUNDS
DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Charter School’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – The fund provides for the operation of food services in all schools within the Charter School.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5, AND
B-6.**

SECTION H – FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school for a specific purpose.

Unemployment Insurance Compensation Trust Fund – This expendable trust fund is used to account for deductions from employee’s salaries which are utilized to pay unemployment compensation claims as they arise.

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

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 As of June 30, 2019

	Trust	Agency				Total Agency Fund
	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	HRA	Student Activities	
ASSETS:						
Cash and Cash Equivalents	\$ 34,118	\$ 6,447	\$ 2,038	15,000	\$ 4,790	\$ 28,275
Interfund Accounts Receivable					5,184	5,184
Total Assets	<u>34,118</u>	<u>\$ 6,447</u>	<u>\$ 2,038</u>	<u>\$ 15,000</u>	<u>\$ 9,974</u>	<u>\$ 33,459</u>
LIABILITIES:						
Interfund Accounts Payable		\$ 6,447	\$ 2,038	15,000	\$ -	\$ 23,485
Due to Student Groups					9,974	9,974
Total Liabilities	<u>-</u>	<u>\$ 6,447</u>	<u>\$ 2,038</u>	<u>\$ 15,000</u>	<u>\$ 9,974</u>	<u>\$ 33,459</u>
NET POSITION:						
Reserved for Unemployment Claims	<u>34,118</u>					
Total Net Position	<u>\$ 34,118</u>					

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2019

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	\$ 6,740
Interest Income	440
	<hr/>
Total Additions	7,180
	<hr/>
CHANGE IN NET POSITION	7,180
NET POSITION - BEGINNING OF THE YEAR	26,938
	<hr/>
NET POSITION - END OF THE YEAR	<u><u>\$ 34,118</u></u>

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
School Activities	<u>\$ 4,710</u>	<u>\$ 32,351</u>	<u>\$ 32,271</u>	<u>\$ 4,790</u>
Total	<u><u>\$ 4,710</u></u>	<u><u>\$ 32,351</u></u>	<u><u>\$ 32,271</u></u>	<u><u>\$ 4,790</u></u>

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fiduciary Funds
 Payroll Agency Fund
 Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2019

	<u>Balance July 1, 2018</u>	<u>Cash Additions</u>	<u>Cash Deletions</u>	<u>Balance June 30, 2019</u>
ASSETS:				
Cash and Cash Equivalents	\$ 6,447	1,375,673	1,375,673	\$ 6,447
Total Assets	<u>\$ 6,447</u>	<u>\$ 1,375,673</u>	<u>\$ 1,375,673</u>	<u>\$ 6,447</u>
LIABILITIES:				
Interfund Accounts Payable	\$ 6,447	1,375,673	1,375,673	\$ 6,447
Total Liabilities	<u>\$ 6,447</u>	<u>\$ 1,375,673</u>	<u>\$ 1,375,673</u>	<u>\$ 6,447</u>

STATISTICAL SECTION (UNAUDITED)

Thomas Edison EnergySmart Charter School has been in operation for (6) six years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for (6) six years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.

Contents

Financial Trends

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

Revenue Capacity (Not Applicable to Charter School)

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The charter school implemented GASB Statement 34 in the fiscal year ending June 30, 2007; schedules presenting charter school-wide information include information beginning that year.

FINANCIAL TRENDS

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Net Position by Component
 Last Six Fiscal Years
(accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
Governmental Activities						
Net Investment in Capital Assets/ Invested in Capital Assets, Net of Related Debt	\$ 778,184	\$ 850,845	\$ 923,506	\$ -	\$ -	\$ -
Unrestricted	379,469	(21,902)	91,433	1,625,304	1,388,438	1,245,555
Total Governmental Activities Net Position	<u>\$ 1,157,653</u>	<u>\$ 828,943</u>	<u>\$ 1,014,939</u>	<u>\$ 1,625,304</u>	<u>\$ 1,388,438</u>	<u>\$ 1,245,555</u>
Business-Type Activities						
Unrestricted	\$ 90,564	\$ 87,053	\$ 90,927	\$ 59,470	64,993	53,237
Total Business-Type Activities Net Position	<u>\$ 90,564</u>	<u>\$ 87,053</u>	<u>\$ 90,927</u>	<u>\$ 59,470</u>	<u>\$ 64,993</u>	<u>\$ 53,237</u>
Charter School-wide						
Net Investment in Capital Assets/ Invested in Capital Assets, Net of Related Debt	\$ 778,184	\$ 850,845	\$ 923,506	\$ -	\$ -	\$ -
Unrestricted	470,033	65,151	182,360	1,684,774	1,453,431	1,298,792
Total Charter School-wide Net Position	<u>\$ 1,248,217</u>	<u>\$ 915,996</u>	<u>\$ 1,105,866</u>	<u>\$ 1,684,774</u>	<u>\$ 1,453,431</u>	<u>\$ 1,298,792</u>

Source: Comprehensive Annual Financial Report

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Changes in Net Position
 Last Six Fiscal Years
(accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
Expenses						
Governmental Activities:						
Instruction	\$ 2,737,551	\$ 2,311,840	\$ 2,387,217	\$ 1,867,532	\$ 1,641,953	\$ 1,292,254
Administration	1,997,111	1,979,769	888,203	744,866	475,208	372,854
Support Services	2,144,252	2,137,695	1,960,585	1,010,051	969,028	736,575
Capital Outlay	-	-	-	50,000	100,000	13,671
Unallocated	72,661	72,661	36,330	-	-	-
Total Governmental Activities Expenses	<u>6,951,575</u>	<u>6,501,965</u>	<u>5,272,335</u>	<u>3,672,449</u>	<u>3,186,189</u>	<u>2,415,354</u>
Business-Type Activities:						
Food Service and School Store	360,776	360,380	85,281	80,752	71,905	52,102
Total Business-Type Activities Expenses	<u>360,776</u>	<u>360,380</u>	<u>85,281</u>	<u>80,752</u>	<u>71,905</u>	<u>52,102</u>
Total Charter School Expenses	<u>\$ 7,312,351</u>	<u>\$ 6,862,345</u>	<u>\$ 5,357,616</u>	<u>\$ 3,753,201</u>	<u>\$ 3,258,094</u>	<u>\$ 2,467,456</u>
Program Revenues						
Business-Type Activities:						
Charges for Services	\$ 362,150	\$ 355,376	\$ 81,805	\$ 52,103	\$ 52,695	\$ 42,360
Total Business-Type Activities Expenses	<u>362,150</u>	<u>355,376</u>	<u>81,805</u>	<u>52,103</u>	<u>52,695</u>	<u>42,360</u>
Total Charter School Program Revenues	<u>\$ 362,150</u>	<u>\$ 355,376</u>	<u>\$ 81,805</u>	<u>\$ 52,103</u>	<u>\$ 52,695</u>	<u>\$ 42,360</u>
Net (Expense)/Revenue						
Governmental Activities	\$ (6,951,575)	\$ (6,501,965)	\$ (5,272,335)	\$ (3,672,449)	\$ (3,186,189)	\$ (2,415,354)
Business-Type Activities	1,374	(5,004)	(3,476)	(28,649)	(19,210)	(9,742)
Total Charter School-wide Net Expense	<u>\$ (6,950,201)</u>	<u>\$ (6,506,969)</u>	<u>\$ (5,275,811)</u>	<u>\$ (3,701,098)</u>	<u>\$ (3,205,399)</u>	<u>\$ (2,425,096)</u>
General Revenues and Other Changes in Net Assets/Position						
Governmental Activities:						
General Purposes	\$ 5,382,173	\$ 4,636,573	\$ 4,150,205	\$ -	\$ -	\$ -
Federal and State Aid Not Restricted	1,861,280	1,668,075	948,238	710,818	468,867	443,808
Investment Earnings	-	-	545	-	-	-
Miscellaneous Income	36,832	11,322	9,295	3,198,497	2,860,205	2,462,871
Total Governmental Activities	<u>7,280,285</u>	<u>6,315,970</u>	<u>5,108,283</u>	<u>3,909,315</u>	<u>3,329,072</u>	<u>2,906,679</u>
Business-Type Activities:						
Miscellaneous Income	2,137	1,130	168,884	112,434	90,634	77,779
Total Business-Type Activities	<u>2,137</u>	<u>1,130</u>	<u>168,884</u>	<u>112,434</u>	<u>90,734</u>	<u>77,779</u>
Total Charter School-wide	<u>\$ 7,282,422</u>	<u>\$ 6,317,100</u>	<u>\$ 5,277,167</u>	<u>\$ 4,021,749</u>	<u>\$ 3,419,806</u>	<u>\$ 2,984,458</u>
Change in Net Assets/Position						
Governmental Activities	\$ 328,710	\$ (185,995)	\$ (164,052)	\$ 236,866	\$ 142,883	\$ 491,325
Business-Type Activities	3,511	(3,874)	165,408	83,785	71,524	68,037
Total Charter School	<u>\$ 332,221</u>	<u>\$ (189,869)</u>	<u>\$ 1,356</u>	<u>\$ 320,651</u>	<u>\$ 214,407</u>	<u>\$ 559,362</u>

Source: Comprehensive Annual Financial Report

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Fund Balances - Governmental Funds
 Last Six Fiscal Years
(modified accrual basis of accounting)
 Unaudited

	Fiscal Year Ending June 30,					
	2019	2018	2017	2016	2015	2014
General Fund Unassigned	\$ 1,497,928	\$ 724,333	\$ 537,646	\$ 1,625,204	\$ 1,388,438	\$ 1,245,555
Total General Fund	<u>\$ 1,497,928</u>	<u>\$ 724,333</u>	<u>\$ 537,646</u>	<u>\$ 1,625,204</u>	<u>\$ 1,388,438</u>	<u>\$ 1,245,555</u>

Source: Comprehensive Annual Financial Report

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Changes in Fund Balances - Governmental Funds
 Last Six Fiscal Years
(modified accrual basis of accounting)
 Unaudited

Fiscal Year Ending June 30,	2019	2018	2017	2016	2015	2014
Revenues:						
Local Sources:						
Local Tax Levy	\$ 5,382,173	\$ 4,636,573	\$ 4,150,205	\$ 3,198,497	\$ 2,860,205	\$ 2,462,871
Interest In Investments	-	-	545	-	-	-
Miscellaneous	36,832	11,322	9,295	-	-	-
State Sources	1,343,643	1,049,979	999,480	642,008	432,965	360,209
Federal Sources	142,817	135,449	84,432	68,810	35,902	83,599
Total Revenues	<u>6,905,465</u>	<u>5,833,323</u>	<u>5,243,957</u>	<u>3,909,315</u>	<u>3,329,072</u>	<u>2,906,679</u>
Expenditures:						
Instruction	2,281,180	1,989,011	2,235,983	1,576,931	1,426,489	1,094,572
Administration	1,856,347	1,643,508	1,278,921	1,127,531	750,758	630,787
Support Services	1,994,343	2,014,116	1,842,449	918,087	908,942	676,324
Capital Outlay	-	-	974,162	50,000	100,000	13,671
Total Expenditures	<u>6,131,870</u>	<u>5,646,635</u>	<u>6,331,515</u>	<u>3,672,549</u>	<u>3,186,189</u>	<u>2,415,354</u>
Net Change in Fund Balance	<u>\$ 773,595</u>	<u>\$ 186,688</u>	<u>\$ (1,087,558)</u>	<u>\$ 236,766</u>	<u>\$ 142,883</u>	<u>\$ 491,325</u>

Source: Comprehensive Annual Financial Report

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 General Fund - Other Local Revenue by Source
 Last Two Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

Fiscal Year Ending June 30,	Rentals	Donations	Sale of Capital Assets	Sale and Leaseback of Textbooks	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2019	\$ -	-	\$ -	-	\$ -	36,832	\$ 36,832
2018	-	-	-	-	-	11,322	11,322

Source: Charter School records

OPERATING INFORMATION

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Full-Time Equivalent Charter School Employees by Function
 Last Six Years

Function	2019	2018	2017	2016	2015	2014
Instruction	34	34	25	25	25	17
Administrative	5	5	4	4	4	4
Support Services	13	14	9	9	9	6
Total	52	53	38	38	38	27

Source: Charter School Personal Records

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Operating Statistics
Last Six Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	upil/Teacher R		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Middle School	School				
2019	509	\$ 6,131,870	\$ 12,047	0.49%	34	12:1	12:1	509	495	8.18%	97.25%
2018	471	5,646,635	\$ 11,989	-4.89%	25	12:1	12:1	470.5	438	10.71%	93.09%
2017	425	5,357,353	\$ 12,606	16.92%	25	12:1	12:1	425	398	26.45%	93.65%
2016	336	3,622,549	10,781	2.71%	25	12:1	12:1	336.1	329	14.51%	97.89%
2015	294	3,086,189	\$ 10,497	10.14%	14	18:1	18:1	293.5	288	16.28%	98.13%
2014	252	2,401,683	\$ 9,530	0.00%	14	15:1	15:1	252.4	246	0.00%	97.46%

Sources: Charter School records

Note: Enrollment based on annual final Charter School count.

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
School Building Information
Last Five Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Charter School Building</u>					
<u>Middle School</u>					
Square Feet	60,000	60,000	20,000	20,000	12,000
Capacity (students)	526	476	426	336	294
Enrollment	510	469	425	336	293

Number of Schools at June 30, 2019
Middle School = 1

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Insurance Schedule

June 30, 2019

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package - NJSIG:		
Property - Blanket Building and Contents	\$500,000,000.00	\$1,000.00
Accounts Receivable	\$250,000.00	\$1,000.00
Automobile Physical Damage	None	None
Electronic Data Processing Equipment	\$200,000.00	\$1,000.00
Comprehensive General Liability - NJSIG:		
Occurrence Limit	\$11,000,000.00	None
Automobile Liability	\$11,000,000.00	None
Employee Benefit Liability	\$11,000,000.00	\$1,000.00
Worker's Compensation - NJSIG:		
Statutory Benefits	Included	
Employer's Liability	\$2,000,000.00	
Supplemental Indemnity Coverage	Included	7 Day Waiting Period
School Leaders Errors & Omissions - NJSIG:		
Limit Each Loss	\$11,000,000.00	\$5,000.00
Crime - NJSIG:		
Blanket Employee Dishonestly	\$250,000.00	\$1,000.00
Computer Fraud	\$250,000.00	\$1,000.00
Forgery	\$250,000.00	\$1,000.00
Theft/Disappearance/Destruction:		
Inside	\$50,000.00	\$500.00
Outside	\$50,000.00	\$500.00
Public Official Bonds - NJSIG:		
Board Secretary	\$180,000.00	\$500.00

Source: Charter School's Records

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Charter School Performance Framework Financial Indicators
 Fiscal Ratios
 Last Three Fiscal Years

	2017	2018	2019	Source
	Audit	Audit	Audit	
Cash	\$ 270,656	\$ 195,010	\$ 1,163,919	Audit: Exhibit A-1
Current Assets (includes CASH)	859,376	861,084	1,632,475	Audit: Exhibit A-1
Total Assets	2,791,578	3,183,245	3,930,817	Audit: Exhibit A-1
Current Liabilities	230,803	49,698	43,983	Audit: Exhibit A-1
Total Liabilities	350,819	498,490	2,682,600	Audit: Exhibit A-1
Net Assets	1,105,866	915,996	1,248,217	Audit: Exhibit A-1
Total Revenue	5,358,972	6,672,476	7,644,572	Audit: Exhibit A-2
Total Expenses	5,937,875	6,862,345	7,312,351	Audit: Exhibit A-2
Change in Net Assets	(578,903)	(189,869)	332,221	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	425.00	470.50	509.00	DOE Enrollment Reports
March 30th Budgeted Enrollment	425	475	495	Charter School Budget

RATIOS ANALYSIS...						
Near Term Indicators	2017	2018	2019	3 YR CUM	Source:	Target
1a. Current Ratio	3.72	17.33	37.12	10.33	Current Assets/Current Liabilities	> 1.1
1b. Unrestricted Days Cash	16.64	10.37	58.10	29.57	Cash/(Total Expenses/365)	30-60
1c. Enrollment Variance	100%	99%	103%	101%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.* Default	N/A	N/A	N/A		Audit	not in default
Sustainability Indicators						
2a. Total Margin	-11%	-3%	4%	-2%	Change in Net Assets/Total Revenue	positive
2b. Debt to Asset	0.13	0.16	0.68	0.4	Total Liabilities/Total Assets	<.9
2c.** Cash Flow	270,656	(75,646)	968,909	1,163,919	Net change in cash flow from prior years	3 yr cum positive
2d. Debt Service Coverage Ratio	N/A	N/A	N/A		(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No
 ** 2019 = 2019 Cash - 2018 Cash; 2018 = 2018 Cash - 2017 Cash; 2017 = 2017 Cash - 2016 Cash

SINGLE AUDIT SECTION

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
“GOVERNMENT AUDITING STANDARDS”**

INDEPENDENT AUDITORS’ REPORT

Honorable President and
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School
County of Somerset
Somerset, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with 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 Thomas Edison EnergySmart Charter School (Charter School), in the County of Somerset, State of New Jersey, as of and for the fiscal year ended June 30, 2019, 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, and have issued our report thereon dated November 27, 2019.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. .

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

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

Compliance and Other Matters


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

We also noted other matters that we reported to the Board of Trustees of the Thomas Edison EnergySmart Charter School in a separate report entitled, Auditor's Management Report on Administrative Findings dated November 27, 2019.

Purpose of This Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
License Number CS-01181

Union, New Jersey
November 27, 2019

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB
CIRCULAR 15-08**

Honorable President and
Members of the Board of Trustees
Thomas Edison EnergySmart Charter School
County of Somerset
Somerset, New Jersey

Report on Compliance for Each Major State Program.

We have audited the Thomas Edison EnergySmart Charter School’s compliance, with the types of compliance requirements described in the New Jersey Compliance Manual “State Grant Compliance Supplement” that could have a direct and material effect on each of the Charter School’s major state programs for the fiscal year ended June 30, 2019. The Charter School’s major state programs are identified in the Summary of Auditor’s Results Section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

The Charter School’s management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of State Aid*. Those standards, the Uniform Guidance and New Jersey’s OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

In our opinion, the Thomas Edison EnergySmart Charter School, in the County of Somerset, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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


Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated November 27, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by the Uniform Guidance and New Jersey's OMB Circular 15-08 are presented for purposed of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and related directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of This Report

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


BARRE & COMPANY LLC
Certified Public Accountants
Public School Accountants


Richard M. Barre
Public School Accountant
License Number CS-01181

Union, New Jersey
November 27, 2019

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Federal FAN Number	Grant or State Project Number	Program or Award Amount	Grant Period From To	Balance at June 30, 2018	Carryover/ (Waiver) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Accounts Receivable	Balance at June 30, 2019	
													Deferred	Revenue
U.S. Department of Education														
Passed-through State Department of Education														
Special Revenue Fund:														
Title I Part A	84.010A	S010A150030	NCLB - 6081 - 19	\$ 53,780	7/1/18	6/30/19	\$ -	\$ 53,780	\$ (63,760)	\$ -	\$ -	\$ -	\$ -	\$ -
Title II Part A	84.367A		NCLB - 6081 - 19	11,860	9/1/18	8/31/19	-	11,860	(11,860)	-	-	-	-	-
Title IV Sale & Drug Free	84.186A		NCLB - 6081 - 19	10,000	9/1/18	8/31/19	-	10,000	(10,000)	-	-	-	-	-
Special Education Cluster (IEA):														
IDEA, Part B Basic	84.027	H027A150030	IDEA - 6081 - 19	67,177	7/1/18	6/30/19	-	67,177	(67,177)	-	-	-	-	-
Total Special Education Cluster (IDEA)								67,177	(67,177)					
Total Special Revenue Fund								142,817	(142,817)					
U.S. Department of Agriculture														
Passed-through State Department of Agriculture														
Enterprise Fund:														
School Breakfast Program	10.553	16161NJ304N1099	N/A	4,741	7/1/18	6/30/19		4,608	(4,741)			(133)		
School Breakfast Program	10.553	16161NJ304N1099	N/A	3,932	7/1/17	6/30/18	(231)	231						
National School Lunch Program	10.555	16161NJ304N1099	N/A	34,642	7/1/18	6/30/19		33,562	(34,642)			(1,080)		
National School Lunch Program	10.555	16161NJ304N1099	N/A	33,527	7/1/17	6/30/18	(2,339)	2,339						
Total Enterprise Fund							(2,570)	40,740	(39,963)			(1,213)		
Sub-Total Federal Financial Awards							(2,570)	183,557	(182,200)			(1,213)		

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

THOMAS EDISON ENERGY SMART CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2019
Initial Year

State Grantor/Program Title	Grant or Project Number	Program or Project Amount	Grant Period		Balance at June 30, 2019		Cash Received	Budgetary Expenditures	Adjustment of Payment of Balance	Balance at June 30, 2019		MEMO
			From	To	Deferred Revenue (Receivable)	Due to Grantor				Accounts Receivable	Deferred Revenue/ Payable	
State Department of Education												
General Fund:												
State At-Risk Cluster												
Equalization Aid	19-495-034-5120-078	652,894	7/1/18	6/30/19			652,894	(652,894)	-			652,894
Education Aid	19-495-034-5120-084	45,231	7/1/18	6/30/19			45,231	(45,231)	-			45,231
Special Education Cluster (IDEA):		780,101	7/1/18	6/30/19			780,101	(780,101)	-			780,101
Nonpublic Aid		1,169	7/1/18	6/30/19			1,169	(1,169)	-			1,169
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)	18-495-034-5095-004	130,173	7/1/18	6/30/19			130,173	(130,173)	-			130,173
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)	18-495-034-5095-003	286,978	7/1/18	6/30/19			286,978	(286,978)	-			286,978
On-Behalf TPAF Pension Aid (Non-Budgeted)	19-495-034-5095-001	145,222	7/1/18	6/30/19			145,222	(145,222)	-			145,222
Reimbursed TPAF - Social Security												
Total General Fund							1,343,643	(1,343,643)	-			1,343,643
State Department of Agriculture												
Enterprise Fund:												
Lunch Program (State Share)	19-100-010-3850-023	1,500	7/1/18	6/30/19			1,500	(1,438)	(48)			1,438
National School Lunch Program (State Share)	18-100-010-3850-023	1,444	7/1/17	6/30/18	(110)		110			(48)		110
Total Enterprise Fund							1,500	(1,438)	(48)			1,438
Total State Financial Assistance							1,345,143	(1,345,081)	(48)			1,345,081
State Financial Assistance Not Subject To Major Program Determination:												
On-Behalf TPAF Long-Term Disability Aid (Non-Budgeted)	19-495-034-5095-004	1,169	7/1/18	6/30/19			1,169	(1,169)	-			1,169
On-Behalf TPAF Post-Retirement Medical Aid (Non-Budgeted)	18-495-034-5095-003	130,173	7/1/18	6/30/19			130,173	(130,173)	-			130,173
On-Behalf TPAF Pension Aid (Non-Budgeted)	19-495-034-5095-001	286,978	7/1/18	6/30/19			286,978	(286,978)	-			286,978
Total State Financial Assistance Subject To Single Audit							926,823	(926,761)	(48)			1,345,081

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

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2019

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2019

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is none for the general fund and none for the special revenue fund. See Notes to the Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	1,343,643	\$ 1,343,643
Special Revenue Fund	142,817	-	142,817
Food Service Fund	39,383	1,438	40,821
Total Awards & Financial Assistance	<u>\$ 182,200</u>	<u>\$ 1,345,081</u>	<u>\$ 1,527,281</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING

Thomas Edison EnergySmart Charter School has no loan balances outstanding at June 30, 2019.

NOTE 6. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2019. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2019.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Notes to the Schedules of Expenditures
Of Awards and Financial Assistance
June 30, 2019

NOTE 7. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

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

NOTE 8. SCHOOLWIDE PROGRAM FUNDS

Schoolwide programs are not separate federal programs as defined in OMB Circular A-133; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditures of Federal Awards. This being the first year of operations for the charter school, there were no such schoolwide programs.

Program	Total
Title I, Part A: <i>Grants to Local Education Agencies</i>	\$ 53,780
Title II, Part A: <i>Teacher and Principal Training and Recruiting</i>	<u>11,860</u>
Total	<u>\$ 65,640</u>

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended **June 30, 2019**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued on financial statements		<u>Unmodified</u>
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Noncompliance material to basic financial statements noted?	_____ Yes	__X__ No

State Awards

Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Auditee qualified as low-risk auditee?	__X__ Yes	_____ No
Internal control over major programs:		
1) Material weakness(es) identified?	_____ Yes	__X__ No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	__X__ None Reported
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?	_____ Yes	__X__ No
Identification of major state programs:		

GMIS Number(s)	Name of State Program
_____	STATE AID – PUBLIC CLUSTER
19-495-034-5120-078	EQUALIZATION AID
19-495-034-5120-089	SPECIAL EDUCATION CATEGORICAL AID
19-495-034-5120-084	SECURITY AID
19-495-034-5120-078	OTHER STATE AID

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended **June 30, 2019**

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.

No Current Year Findings.

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and NJOMB Circular Letter 15-08.

No Current Year Findings.

THOMAS EDISON ENERGYSMART CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended **June 30, 2019**

STATUS OF PRIOR YEAR FINDINGS

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, (511 (a)(b) and NJOMB's Circular 15-08.

No Prior Year Findings