

**CLASSICAL ACADEMY CHARTER  
SCHOOL OF CLIFTON**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2021**

**PREPARED BY  
Classical Academy Charter School of Clifton**

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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# Classical Academy Charter School of Clifton

20ValleyRoad,Clifton,NJ07013 .

Tel:(973) 278-7707 .Fax:(973)278-7720

A National Blue Ribbon School of Excellence (2008)

A New Jersey "REWARD SCHOOL" (2012)

A "TOP TEN" New Jersey School (2013)

January 20, 2022

Honorable President and  
Members of the Board of Trustees  
Classical Academy Charter School of Clifton  
County of Passaic  
Clifton, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Classical Academy Charter School of Clifton (Charter School) for the fiscal year ended June 30, 2021. This CAFR includes the Charter's basic financial statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. 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 financial position and results of operations of the Charter School. This report will provide the taxpayers of the Classical Academy Charter School of Clifton with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

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 Auditor's 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 New Jersey State Office of Management and Budget (OMB) Circular Letter 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*". Information related to this single audit, including the 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 Trustees (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 of control over and authorization for all expenditures of Charter School tax money.

The Lead Person is the chief executive officer of the Charter School, responsible to the Board for total educational and support operations. The Board Secretary 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 the idle funds as permitted by New Jersey Law.

1. **REPORTING ENTITY AND ITS SERVICES:** The Classical Academy Charter School of Clifton is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report.

Now in its 17th year of existence, the Classical Academy Charter School of Clifton, County of Passaic’s first public charter school, continues to reach new milestones. Each year the school realizes its mission and attains, indeed, surpasses by large margins, many of its goals and objectives for collectively and individually high student learning outcomes, and for achieving overall institutional success, objectively measured and acclaimed. For a more detailed account of the Classical Academy Charter School of Clifton’s school and academic program, and the school’s many accomplishments, interested parties are urged to call the school (973-278-7707) and request a copy of the ‘Academic and school program,’ or consult the state’s online ‘Report Card’ (the narrative portion) or the Classical Academy Charter School of Clifton’s own website:([www.classicalacademy.org](http://www.classicalacademy.org)).

2. **ENROLLMENT OUTLOOK:** Classical Academy Charter School of Clifton’s success and glowing reputation is shown, by one important measure, in the strong demand for Classical Academy Charter School of Clifton admissions as demonstrated when Clifton parents have the opportunity to exercise parental choice in public Middle School (grades 6-8) education. Although the school reaches out to the community by advertisements, articles about the school in local newspapers, and other means, most admission applicants, having heard about the school’s highly-deserved reputation for excellence, are referred to the school by neighbors, relatives, friends, and from those who have had their own children attend the Classical Academy Charter School of Clifton. Each year, the Classical Academy Charter School of Clifton receives approximately two applications for each of the 40 6th grade vacancies. Mirroring exactly the demographics of Clifton, NJ public schools, 85% of the Classical Academy Charter School of Clifton’s typical school enrollment are students whose parents or they themselves were born outside the U.S.; 65% of the school’s student population is of Hispanic heritage. The school’s ‘poverty rate’ based on students qualifying for “Free or Reduced Lunch Program averages annually between 35%-45% each year. In the future, the school hopes to add the 4th and 5th grades.

Classical Academy Charter School of Clifton provides a full range of educational services appropriate to Grades 6-8. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2020-2021 school year with an enrollment of 180 students.

3. **MAJOR ACCOMPLISHMENTS:** Within the last two academic years, Classical Academy Charter School of Clifton has been undergoing a remarkable period of growth and transformation. While maintaining its standards of academic excellence, Classical Academy relocated to a larger facility in Clifton, New Jersey in order to provide our students with more space to pursue diversified educational opportunities. This transition also allowed the school's Administrative Team to redesign the Health and Physical Education Program and to design and implement an Art program. Both of these programs have been fully integrated into our advanced curriculum comprised of a daily student course load of English, Language Arts, Middle School Math, Science, Social Studies and Latin. These additions have yielded to a twenty percent increase in parent and student satisfaction, contributed to an increase in student performance, and has contributed to our students' considering different areas of interest in high school academics and career planning.

In addition to maintaining its standard of high standardized test scores, Classical Academy was also recognized in last year's NICHE ranking as the top third school in the State of New Jersey. Other recognitions include recognition as one of the top Passaic County charter schools and one of the top ten New Jersey charter schools.

The Classical Academy Charter School of Clifton's three-year academic program in grades 6, 7 and 8 and its practices and policies continue to prove highly effective in producing high student learning at lost cost – about 60%-70% of the prevailing north Jersey 'per pupil cost'. For five of the last six years, 100% of 8th grade students passed all three tested subjects (language arts, mathematics, and science) on the state-mandated 'ASK-8' test; and the year (2015) when not every student passed every subject, our ASK-8 'continued passing rate was high at 97% in both language arts and science, and 94% in mathematics.

The Classical Academy Charter School of Clifton produces outstanding results, consistently and at the highest levels, is not a subjective appraisal. In 2008 the Federal Dept. of Education honored the school with a "National Blue Ribbon School of Excellence award (only the 2nd New Jersey public charter school in 16 years to be so honored); in 2012 the New Jersey Dept. of Education designated the Classical Academy Charter School of Clifton a 'REWARD' school, its designation for high-achieving public schools, charter and traditional; and in 2013, the 'National New Campaign for Achievement Now' (NJCAN), a citizens education action group, recognized the Classical Academy Charter School of Clifton with its 'TOP TEN' awards: one award for being a top ten NJ school for educating 'Low Income Students' and another 'Top Ten' award for educating to high levels 'Latino Students', and one for overall excellence in middle-school education. In 2018, Classical Academy was granted an enrollment increase for the 2019-2020 school year by an additional sixty students.

4. **INTERNAL ACCOUNTING CONTROLS:** Since 2012, the Classical Academy Charter School of Clifton has put in place fiscal controls and structures advocated by the New Jersey Dept. of Education's Office of Charter Schools. Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like to be derived; and (2) the valuation of costs and benefits requires estimates the judgments by management.



As a recipient of federal and state financial assistance, the Charter School also is responsible for ensuring that an adequate 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 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.

5. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and 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 re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2021.

6. **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Basic Financial Statements", Note 1.

7. **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of report, the Charter School continues to meet its responsibility for sound financial management.

8. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Notes 1 and 3. 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. 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.

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

10. **OTHER INFORMATION:**

**Independent Audit**

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Robinson CPAs, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related New Jersey OMB Letter Circular Letter 15-08.

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

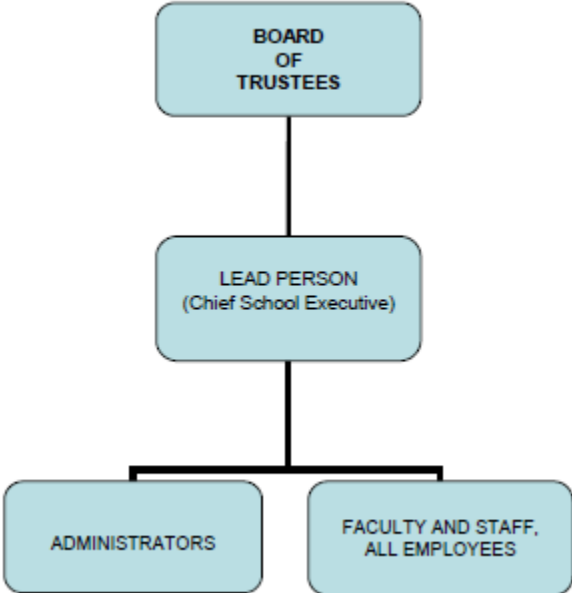
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Hector B.', with a long horizontal flourish extending to the right.

Hector Berrios  
School Business Administrator

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**ORGANIZATIONAL CHART**



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**ROSTER OF OFFICIALS**

**JUNE 30, 2021**

**Voting Members**

<b>MEMBERS OF THE BOARD OF TRUSTEES</b>	<b>TERM</b>
Shamira Drakeford, President	6/30/2021
Christine Saliba, Vice President	6/30/2021
Michelle Traina, Board Member	6/30/2021
Kirsten Doll, Board Member	6/30/2021
Genie Trott, Board Member	6/30/2021
Janet Spidwak, Board Member	6/30/2021
Dean M. Spadavecchia, Board Member	6/30/2021
Alicia Anderson, Board Member	6/30/2021
<b>Nonvoting Members</b>	
Danielle Alpher, Board Member	6/30/2021

**Non-Voting Members  
(Terms co-terminus with Classical Academy Employment)**

Dr. Paul Semegran, Lead Person

Hector Berrios, School Business Administrator and Board Secretary

Bernadette Pinto, Assistant School Business Administrator

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**CONSULTANTS AND ADVISORS**

**Independent Auditors**

Galleros Robinson CPAs, LLP  
115 Davis Station Rd  
Cream Ridge, NJ 08514

**Attorney**

Cleary Giacobbe Alfieri Jacobs LLC  
169 Ramapo Valley Rd. Suite 105  
Oakland, New Jersey

**Official Depositories**

TD Bank North  
Clifton, NJ

# **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

The Honorable President and  
Members of the Board of Trustees  
Classical Academy Charter School of Clifton  
County of Passaic  
Newark, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Classical Academy Charter School of Clifton (the Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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

## **INDEPENDENT AUDITOR'S REPORT - CONTINUED**

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Classical Academy Charter School of Clifton, in the County of Passaic, State of New Jersey as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

We draw attention to Note 2 in the notes to the financial statements which disclose the effects of the Charter School's adoption of the provisions of Government Accounting Standards Board (GASB) Statement Nos. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 18, Budgetary Comparison Information on pages 65 through 68, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) and OPEB (GASB 75) on pages 69 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## INDEPENDENT AUDITOR'S REPORT - CONTINUED

### *Supplementary and Other Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2022 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



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



Galleros Robinson CPAs, LLP  
Certified Public Accountants

January 20, 2022  
Cream Ridge, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON (COUNTY OF PASSAIC, NEW JERSEY)**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **Introduction**

This section of the Classical Academy Charter School of Clifton's (the "Charter School") annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

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

### **Financial Highlights**

Key Financial highlights for the fiscal year 2021 are as follows:

- General revenues accounted for \$2.80 million or 83% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$0.57 million or 17% of total revenues of \$3.37 million.
- The Charter School had \$2.37 million in expenses; only \$0.57 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$2.80 million were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$3.46 million in revenues and \$2.03 million in expenditures.

### **Basic Financial Statements**

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Classical Academy Charter School of Clifton as a financial whole, or as an entire operating entity. The first two basic financial statements, the Statement of Net Position and the Statement of Activities, are governmental-wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

### **Fund Financial Statements**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

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

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

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

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

**Statement of Net Position and Statements of Activities**

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, “how did we do financially during fiscal year 2021?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School’s assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year’s revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School’s net assets and changes in those assets. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2021. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

**Reporting the Charter School's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

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

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

**Enterprise Fund**

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

**The Charter School as a Whole**

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2021.

The total net position of the Charter School has increased by \$1.00 million during the current fiscal year.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

The table that follows reflects the net position for fiscal year 2021.

	<b>Governmental Activities</b>	<b>Business Type Acvtivities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets	\$ 1,982,125	\$ -	\$ 1,982,125
Capital Assets, net	-	-	-
Total Assets	<u>1,982,125</u>	<u>-</u>	<u>1,982,125</u>
<b>Deferred outflow of resources</b>	<u>24,335</u>	<u>-</u>	<u>24,335</u>
<b>Liabilities</b>			
Current Liabilities	129,320	-	129,320
Noncurrent Liabilities	<u>78,872</u>	<u>-</u>	<u>78,872</u>
Total Liabilities	<u>208,192</u>	<u>-</u>	<u>208,192</u>
<b>Deferred inflow of resources</b>	<u>63,080</u>	<u>-</u>	<u>63,080</u>
<b>Net Position</b>			
Restricted for:			
Student Activities	13,137	-	13,137
Unrestricted	<u>1,722,051</u>	<u>-</u>	<u>1,722,051</u>
Total Net Position	<u>\$ 1,735,188</u>	<u>\$ -</u>	<u>\$ 1,735,188</u>

The Charter School's combined net position was \$1.74 million at June 30, 2021.

The table that follows reflects the change in net position for fiscal year 2021.

	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenues						
Program Revenues:						
Charge for Services	\$ 3,260	\$ -	\$ -	\$ -	\$ 3,260	\$ -
Operating grants and Contributions	<u>570,063</u>	<u>485,198</u>	<u>-</u>	<u>-</u>	<u>570,063</u>	<u>485,198</u>
Total Program Revenues	<u>573,323</u>	<u>485,198</u>	<u>-</u>	<u>-</u>	<u>573,323</u>	<u>485,198</u>
General Revenues:						
Local Aid	1,416,775	1,340,763	-	-	1,416,775	1,340,763
Gain on sale of property	882,183	-	-	-	882,183	-
Federal and State Aid	490,579	421,663	-	-	490,579	421,663
Miscellaneous	<u>6,140</u>	<u>7,686</u>	<u>-</u>	<u>-</u>	<u>6,140</u>	<u>7,686</u>
Total General Revenues	<u>2,795,677</u>	<u>1,770,112</u>	<u>-</u>	<u>-</u>	<u>2,795,677</u>	<u>1,770,112</u>
Total Revenues	<u>3,369,000</u>	<u>2,255,310</u>	<u>-</u>	<u>-</u>	<u>3,369,000</u>	<u>2,255,310</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

	Governmental Activities		Business Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Expenditures:						
Instructions	\$ 1,177,478	\$1,512,380	\$ -	\$ -	\$ 1,177,478	\$ 1,512,380
Administrative	406,529	641,214	-	-	406,529	641,214
Support services	783,209	448,600	-	-	783,209	448,600
Unallocated						
Depreciation	4,116	24,699	-	-	4,116	24,699
Food Service	-	-	-	-	-	-
Total Expenditures	<u>2,371,332</u>	<u>2,626,893</u>	<u>-</u>	<u>-</u>	<u>2,371,332</u>	<u>2,626,893</u>
Change in Net Position	<u>\$ 997,668</u>	<u>\$ (371,583)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 997,668</u>	<u>\$ (371,583)</u>

**Governmental Activities**

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2021.

	<u>Total Cost of Services</u>	<u>Charges for Services</u>	<u>Grants/ Contributions</u>	<u>Net Cost of Services</u>
Instruction	\$ 1,177,478	\$ -	\$ 394,984	\$ (782,494)
Administrative	406,529	-	72,284	(334,245)
Support services	783,209	3,260	102,795	(677,154)
Unallocated:				
Depreciation	<u>4,116</u>	<u>-</u>	<u>-</u>	<u>(4,116)</u>
Total Expenses	<u>\$ 2,371,332</u>	<u>\$ 3,260</u>	<u>\$ 570,063</u>	<u>\$ (1,798,009)</u>

**Business-Type Activity**

The business-type activities of the Charter School are the food service operations. These programs had no revenues and operating expenses for fiscal year 2021.

**The Charter School’s Funds**

The Charter School’s governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$3.37 million and expenditures of \$2.40 million.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2021, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues were \$1.91 million which included a local tax levy of \$1.42 million. Expenditures were budgeted at \$1.92 million. The Charter School anticipated a decrease in fund balance of \$0.01 million. In its fiscal year 2020-2021, actual revenues were \$3.46 million and expenditures were \$2.03 million.

The State of New Jersey reimbursed the Charter School \$0.05 million during the year ended June 30, 2021 for the employer’s share of social security contributions for TPAF members while on-behalf TPAF payments for pension, post-retirement medical benefits and long-term disability insurance were \$0.1 million. These unbudgeted amounts are included in both revenues and expenditures.

**Capital Assets**

At the end of fiscal year 2021, the Charter School had none invested in capital assets all in governmental activities.

The table below reflects fiscal year 2021 balances:

	<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
Machinery and Equipment	\$ 165,661	\$ -	\$ 165,661
Less: Accumulated Depreciation	<u>(165,661)</u>	<u>-</u>	<u>(165,661)</u>
Totals	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

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

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2020-2021. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Classical Academy Charter School of Clifton, 1255 Main Ave, Clifton, New Jersey 07103.

# **BASIC FINANCIAL STATEMENTS**

## **CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS**

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

## STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,619,005	\$ -	\$ 1,619,005
Restricted cash	75,000	-	75,000
Security deposit	43,333	-	43,333
Prepaid expenses	44,633	-	44,633
Accounts receivable	200,154	-	200,154
Total current assets	<u>1,982,125</u>	<u>-</u>	<u>1,982,125</u>
Capital assets:			
Fixed Assets	165,661	-	165,661
Less: Accumulated depreciation	<u>(165,661)</u>	<u>-</u>	<u>(165,661)</u>
Net capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,982,125</u>	<u>-</u>	<u>1,982,125</u>
<b>Deferred outflow of resources</b>	<u>24,335</u>	<u>-</u>	<u>24,335</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	<u>129,320</u>	<u>-</u>	<u>129,320</u>
Long-Term Liabilities:			
Pension Liability			
Due within one year	-	-	-
Due in more than one year	<u>78,872</u>	<u>-</u>	<u>78,872</u>
Total long-term liabilities	<u>78,872</u>	<u>-</u>	<u>78,872</u>
Total liabilities	<u>208,192</u>	<u>-</u>	<u>208,192</u>
<b>Deferred inflow of resources</b>	<u>63,080</u>	<u>-</u>	<u>63,080</u>
<b>Net position</b>			
Restricted for:			
Student Activities	13,137	-	13,137
Unrestricted	<u>1,722,051</u>	<u>-</u>	<u>1,722,051</u>
Total net position	<u>\$ 1,735,188</u>	<u>\$ -</u>	<u>\$ 1,735,188</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental activities:</b>						
Instruction	\$ 1,177,478	\$ -	\$ 394,984	\$ (782,494)	\$ -	\$ (782,494)
Administrative cost	406,529	-	72,284	(334,245)	-	(334,245)
Support services	783,209	3,260	102,795	(677,154)	-	(677,154)
Unallocated:						
Depreciation	4,116	-	-	(4,116)	-	(4,116)
Total governmental activities	2,371,332	3,260	570,063	(1,798,009)	-	(1,798,009)
<b>Business-type activities:</b>						
Food Service	-	-	-	-	-	-
Total primary government	\$ 2,371,332	\$ 3,260	\$ 570,063	(1,798,009)	-	(1,798,009)
<b>General revenues, transfers and special items:</b>						
Local sources				\$ 1,416,775	-	\$ 1,416,775
Gain on sale of property				882,183	-	882,183
State sources				490,579	-	490,579
Miscellaneous				6,140	-	6,140
Total general revenues, transfers and special items				2,795,677	-	2,795,677
Changes in net position				997,668	-	997,668
Net position - beginning, as reported				723,749	-	723,749
Prior period adjustments				13,771	-	13,771
Net position - beginning, as restated				737,520	-	737,520
Net position - ending (A-1)				\$ 1,735,188	\$ -	\$ 1,735,188

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

GOVERNMENTAL FUNDS  
BALANCE SHEET

JUNE 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 1,603,299	\$ 15,706	\$ 1,619,005
Restricted cash	75,000	-	75,000
Security deposit	43,333	-	43,333
Prepaid expense	44,633	-	44,633
Accounts receivable:			
State	170,069	-	170,069
Federal	-	30,085	30,085
Interfund receivables	<u>28,231</u>	<u>(28,231)</u>	<u>-</u>
Total assets	<u>\$ 1,964,565</u>	<u>\$ 17,560</u>	<u>\$ 1,982,125</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 124,897	\$ 4,423	\$ 129,320
Intergovernmental payables:			
State	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>124,897</u>	<u>4,423</u>	<u>129,320</u>
Fund balances:			
Restricted:			
Student activities	-	13,137	13,137
Assigned	35,681	-	35,681
Unassigned	<u>1,803,987</u>	<u>-</u>	<u>1,803,987</u>
Total fund balances	<u>1,839,668</u>	<u>13,137</u>	1,852,805
Total liabilities and fund balances	<u>\$ 1,964,565</u>	<u>\$ 17,560</u>	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			\$ 165,661
			<u>(165,661)</u>
			<u>-</u>
Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.			
			<u>(38,745)</u>
Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			<u>(78,872)</u>
Net position of governmental activities - A-1			<u>\$ 1,735,188</u>



CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
<b>Revenues</b>			
Local Sources:			
Local tax levy	\$ 1,416,775	\$ -	\$ 1,416,775
Other local proceeds from sale of property	1,303,454	-	1,303,454
Miscellaneous	6,140	3,260	9,400
Total revenues - local sources	<u>2,726,369</u>	<u>3,260</u>	<u>2,729,629</u>
Federal sources	-	73,819	73,819
State sources	729,989	-	729,989
Total revenues	<u>3,456,358</u>	<u>77,079</u>	<u>3,533,437</u>
<b>Expenditures</b>			
Current expense:			
Regular instruction	720,242	48,647	768,889
Support services and undistributed costs:			
Student and instruction-related services	234,961	29,066	264,027
Other administrative services	266,804	-	266,804
School administrative services	47,765	-	47,765
Plant operations and maintenance	388,405	-	388,405
Personal services - employee benefits	373,886	-	373,886
Total expenditures	<u>2,032,063</u>	<u>77,713</u>	<u>2,109,776</u>
Excess expenditures over revenues	1,424,295	(634)	1,423,661
Fund balances at beginning of the year, as reported	415,373	-	415,373
Prior period adjustments	-	13,771	13,771
Fund balances at beginning of the year, as restated	<u>415,373</u>	<u>13,771</u>	<u>429,144</u>
Fund balances at end of year	<u>\$ 1,839,668</u>	<u>\$ 13,137</u>	<u>\$ 1,852,805</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

**YEAR ENDED JUNE 30, 2021**

**Total net change in fund balances - governmental funds (B-2)** \$ 1,423,661

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

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

Capital outlay	(421,271)
Depreciation expense	(4,116)

In the Statement of Activities, certain operating expenses, e.g., compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amounts exceeds the paid amount, the difference is a reduction in the reconciliation, when the paid amount, exceeds the earned amount the difference is an addition to the reconciliation

Pension costs	<u>(606)</u>
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**Change in net position of governmental activities (A-2)** \$ 997,668

**PROPRIETARY FUNDS**

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2021

**Assets**

**Current assets:**

Cash and cash equivalents	\$ _____	-
Accounts receivable:		
Federal		-
State		-
	_____	-
	_____	-

Total assets	\$ _____	-
--------------	----------	---

**Liabilities**

Current liabilities

Interfund payable - General fund	\$ _____	-
----------------------------------	----------	---

**Net position**

Unrestricted	_____	-
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Total liabilities and net position	\$ _____	-
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**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**YEAR ENDED JUNE 30, 2021**

Operating revenues:		
Charges for services:		
Daily sales - nonreimbursable programs	\$	-
Miscellaneous revenue		<u>-</u>
Total operating revenues		<u>-</u>
Operating expenses:		
Miscellaneous		<u>-</u>
Operating loss		<u>-</u>
Nonoperating revenues:		
State sources:		
State School Lunch Program		-
Federal sources:		
National School Lunch Program		-
National School Breakfast Program		-
After School Snacks		<u>-</u>
Total nonoperating revenues		<u>-</u>
Change in net position		-
Total net position at beginning of year		<u>-</u>
Total net position at end of year	\$	<u><u>-</u></u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2021**

**Cash flows from operating activities**

Operating loss	\$	-
Changes in assets and liabilities:		
Interfund payable		-
Net cash from operating activities		-

**Cash flows from noncapital financing activities**

Cash received from state and federal reimbursements		-
Net increase in cash and cash equivalents		-
Cash and cash equivalents at beginning of the year		-
Cash and cash equivalents at end of year	\$	-

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

# CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity:

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

#### B. Component Units

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the 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. Based on the aforementioned criteria, the Charter School has no component units.

#### C. Basis of Presentation

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

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**C. Basis of Presentation - Continued**

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

The financial statements include:

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

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

**D. Basic Financial Statements**

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

**Government-wide Financial Statements**

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

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School’s governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**D. Basic Financial Statements - Continued**

**Fund Financial Statements**

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

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

**E. Governmental Funds**

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

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**E. Governmental Funds - Continued**

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

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2021, there was no Capital Projects Fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2021, there was no debt service fund.

**F. Proprietary Funds**

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

**Enterprise Funds:**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**F. Proprietary Funds - Continued**

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

**Internal Service (Self-Insurance) Fund:**

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

**G. Fiduciary Funds**

Fiduciary funds are classified as follows:

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School’s own programs. Three trust fund types discussed below are used to account for resources held and administered by the Charter School when it is acting in a fiduciary capacity for individuals, private organizations or other governmental units. These funds are distinguished from custodial funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

- a) Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b) Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c) Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

The Charter School do not have fiduciary activity for the year ended June 30, 2021.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**H. Measurement Focus and Basis of Accounting**

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

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

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

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**I. Budgets/Budgetary Control**

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

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

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

**J. Deposits, Investments and Risk Disclosure**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**J. Deposits, Investments and Risk Disclosure - Continued**

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

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

**Deposits**

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**J. Deposits, Investments and Risk Disclosure - Continued**

**Investments**

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

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

As of June 30, 2021, the Charter School did not hold any investments.

**Risk Category**

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

As of June 30, 2021, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

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

**K. Prepaid Expenses**

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

There was a prepaid expense of \$44,633 as of June 30, 2021.



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**L. Interfund Assets/Liabilities**

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

**M. Fixed Assets**

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

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

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method.

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

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

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**O. Compensated Absences**

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

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2021, there are no liabilities for compensated absences in the Food Service Fund.

**P. Net Pension Liability (Asset)**

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

**Q. Deferred Revenue**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

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

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

**S. Fund Balance and Equity**

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

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

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

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

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

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

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

**T. Net Position**

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

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

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

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

**U. Contributed Capital**

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

**V. Interfund Transactions**

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

**W. Use of Estimates**

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

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

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2018.

**Y. On-Behalf Payments**

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

**Z. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 20, 2022.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 ACCOUNTING PRONOUNCEMENTS**

**A. Accounting Pronouncement Adopted During the Year**

On July 1, 2020, the Charter School adopted Statement No. 84, *Fiduciary Activities* and Implementation Guide No. 2019-2. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Determining whether an activity is fiduciary can be a challenge. Governmental Accounting Standards Board (GASB) recently issued Implementation Guide No. 2019-2, *Fiduciary Activities*. The Implementation Guide, which is an authoritative document, includes questions and answers on topics such as identifying fiduciary activities and reporting fiduciary activities: Implementation Guide No. 2019-2,

*Fiduciary Activities.*

The adoption of the GASB No. 84, resulted to the following:

**Student Activity Funds are Reported in the Special Revenue Fund effective July 1, 2020**

The revenue sources for the Student Activity Fund are solely for the fees and dues collected and they are restricted for the specifically identified student activity. N.J.A.C. 6A:23A-16.12 governs the establishment and operation of the Student Activity Fund restricting expenditures within the fund and prohibiting the transfer of any unspent balances to any other fund.

This adoption resulted to a restatement of July 1, 2020 net position of governmental funds to increase total assets and restricted net position of \$13,771 in the governmental activities' Statement of Net Position.

**Payroll Funds are Reported in the General Fund effective July 1, 2020**

Payroll Clearing Funds do not meet the definition of fiduciary activities prescribed in GASB No. 84 paragraph 11, they are accounted for and reported in the General Fund. Any unremitted balance at year-end is reported as a liability on Schedule B-1. Assets and liabilities for the Payroll Clearing Funds were reported as assets and liabilities in the Governmental Funds Balance Sheet under General Fund. This adoption did not result to a restatement of the July 1, 2020 net position. The adoption did not result to restatement on the July 1, 2020 net position.

However, the adoption resulted to an increase in total assets and liabilities of \$126,159 in the governmental activities' Statement of Net Position at July 1, 2020.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 ACCOUNTING PRONOUNCEMENTS - CONTINUED**

**A. Accounting Pronouncement Adopted During the Year - Continued**

GASB Statement No. 90, *Majority Equity Interests* – An Amendment of GASB Statements No. 14 and No. 61, (GASBS 90). GASBS 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Charter School do not hold an equity interest in an investment, therefore the adoption did not have an effect on the Charter School's financial statements.

**B. Accounting Pronouncements Issued but not Yet Adopted**

Statement No. 87 and Implementation Guide No. 2019-3, *Leases*, effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 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.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Charter School is currently evaluating the impact of this Statement.

Statement No. 91, *Conduit Debt Obligations*, reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Currently, the Charter School do not have conduit debt obligation and expects that the adoption of this in fiscal year 2022 will not have an impact on the Charter School's financial statements.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 ACCOUNTING PRONOUNCEMENTS – CONTINUED**

**B. Accounting Pronouncements Issued but not Yet Adopted - Continued**

Statement No. 93, *Replacement of Interbank Offered Rates* effective for fiscal years beginning after June 15, 2021. The objective of GASB 93 is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The Charter School is currently assessing effect on its financial statement.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement* effective for fiscal years beginning after June 15, 2022 or fiscal year 2023. The objective of GASB 94 is to improve financial reporting related to public-private and public-public partnership arrangements (PPP). It provides accounting and financial reporting guidance for availability payment arrangements (APA) and establishes definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet definitions. The Charter School is currently assessing effect on its financial statement.

Statement No. 96, *Subscription-Based Information Technology Arrangement (SBTA)* effective for fiscal year beginning after June 15, 2022. GASB No. 96 establishes uniform accounting and financial reporting requirements, improves comparability of financial statements and enhances information. It establishes that SBITA results in an intangible asset and a subscription liability and provides capitalization criteria for other than subscription payments. The Charter School is currently assessing effect on its financial statement.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Section 457 Deferred Compensation Plans* effective for fiscal years beginning after June 15, 2021. GASB 97 creates an exception, allowing defined contribution pension plans, defined contribution OPEB plans, and certain Section 457 plans who do not have a board to be excluded from consideration as a component unit. The Charter School is currently assessing effect on its financial statement.

Statement No. 98, *The Annual Comprehensive Financial Report* effective for fiscal years ending after December 15, 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Charter School will adopt this change in fiscal year 2022.



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 3 CASH AND CASH EQUIVALENTS**

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

As of June 30, 2021, the Charter School's carrying amount of deposits and investments are as follows:

	General Fund	Special Fund	Total
Operating Account	\$ 1,603,299	\$ 15,706	\$ 1,619,005
Restricted cash	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total	<u>\$ 1,678,299</u>	<u>\$ 15,706</u>	<u>\$ 1,694,005</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2021, the Charter School's carrying amount of deposits was \$1,694,005 and the bank balance was \$1,779,582. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2021 were secured by federal deposit insurance and \$1,529,582 covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

*Restricted Cash*

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which is fully funded at June 30, 2021. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur."

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Net Additions (Deletions)</b>	<b>Ending Balance</b>
<b>Capital assets not being depreciated:</b>			
Land and Land Improvements	\$ 151,300	\$ (151,300)	\$ -
Total Capital Assets Not Being Depreciated	<u>151,300</u>	<u>(151,300)</u>	<u>-</u>
<b>Capital assets being depreciated:</b>			
Cost			
Building and Building Improvements	617,442	(617,442)	-
Machinery and Equipment	<u>165,661</u>	<u>-</u>	<u>165,661</u>
Total at Historical Cost	783,103	(617,442)	165,661
Less: Accumulated depreciation			
Building and Building Improvements	343,353	(343,353)	-
Machinery and Equipment	<u>165,661</u>	<u>-</u>	<u>165,661</u>
Total Accumulated Depreciation	<u>509,014</u>	<u>(343,353)</u>	<u>165,661</u>
Net of Accumulated Depreciation	<u>274,089</u>	<u>343,353</u>	<u>-</u>
Capital assets, net	<u>\$ 425,389</u>	<u>\$ 192,053</u>	<u>\$ -</u>

On September 2, 2020, the Charter School sold its property located at 20 Valley Road for \$1.3 million.

**NOTE 5 LONG-TERM DEBT**

At June 30, 2021, the Charter School's noncurrent liabilities reported in the Statement of Net Position is as follow:

<b>Long-Term Debt</b>	<b>Balance at June 30, 2020</b>	<b>Additions</b>	<b>Retired</b>	<b>Balance at June 30, 2021</b>	<b>Due within One Year</b>
Net Pension Liability	\$ 81,136	\$ -	\$ (2,264)	\$ 78,872	\$ -

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 6 NET POSITION**

As of June 30, 2021, governmental activities net position consisted of the following components:

**RESTRICTED**

Student Activity Fund	\$ 13,137
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**UNRESTRICTED**

Net position not restricted above	<u>1,722,051</u>
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**NET POSITION**

	<u>\$ 1,735,188</u>
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Business-type activities net position did not have any capital assets or restrictions.

**NOTE 7 PENSION PLANS**

**A. Description of Plans**

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

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS – CONTINUED**

**A. Description of Plans - Continued**

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

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

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

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

**B. Vesting and Benefit Provisions**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

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

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

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

**C. Significant Legislation**

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**D. Contribution Requirement**

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

The Charter School's contribution to PERS for the year ended June 30, 2021 was \$5,291.

The State of New Jersey was required to contribute for TPAF on-behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$187,899. In addition, the State of New Jersey also contributed \$211 for TPAF LTDI for the fiscal year ended June 30, 2021.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$51,300 during the year ended June 30, 2021 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**D. GASB 68 Disclosures**

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

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

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

At June 30, 2021, the Charter School reported in the Charter School-wide statement of net position a liability of \$78,872 for its proportionate share of the PERS net pension liability. The total pension liability was measured as of June 30, 2020 as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The Charter School's proportionate share of the net pension liability was based on the ration of contributions as an individual employer to the total contributions to the PERS as of June 30, 2020 measurement date. At June 30, 2021, the Charter School's proportionate share was 0.0004836603% which is an increase from the proportionate share of 0.0004502905% at June 30, 2020 measurement date.

For the year ended June 30, 2021, the Charter School recognized pension expense of \$606. At June 30, 2020 measurement date, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,436	\$ 279
Changes of assumptions	2,559	33,025
Net difference between projected and actual earnings on pension plan investments	2,696	-
Change in proportion and differences between Charter School contributions and proportionate share contributions	17,644	29,776
	<u>\$ 24,335</u>	<u>\$ 63,080</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30
2022	(\$7,357)
2023	(12,788)
2024	(13,684)
2025	(5,349)
Thereafter	433

*Actuarial assumptions.* The collective total pension liability for the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases	
Through 2026	2.00% – 6.00% based on years of service
Thereafter	3.00% – 7.00% based on years of service
Investment rate of return	7.00%



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

Pre-retirement mortality rates were based on Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial valuation study for the period July 1, 2014 to June 30, 2018.

*Long-term Expected Rate of Return.* In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018, are summarized in the following table:

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
Total	<u>100.00%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7% as of June 30, 2020 measurement date. 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 and nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School's proportionate share of the net pension liability	\$ 100,068	\$ 78,872	\$ 62,034

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

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

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

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

in accordance with N.J.S.A. 18:66-33, the employer contributions for the Charter School is legally required to be funded by the State. This is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. As

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

such, there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School.

For the year ended June 30, 2021, the Charter School recognized pension expense and related revenue of \$239,410 in the Charter School-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF for the June 30, 2020 and 2019 measurement dates, respectively. At June 30, 2021 and 2020, the State's proportion of the net pension liability attributable to Charter School was 0.0055993015% and 0.0056986123%, respectively.

*Actuarial Assumptions.* The total pension liability for the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	
Price	2.75%
Wage	3.25%
Salary increases	
Through 2026	1.55% – 4.45% based on years of service
Thereafter	2.75% - 5.65% based on years of service
Investment rate of return	7.00%

Pre-retirement mortality were based on Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, ad with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

*Long-term Expected Rate of Return.* In accordance with the State statute, the long-term expected rate of return on plan investments (7% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2020 measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
Total	100.00%	

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSION PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

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

*Discount rate.* The discount rate used to measure the total pension liability was 5.40% June 30, 2020 measurement date. 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 2.21% as of June 30, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contribution from employers will be made based on 78% of actuarially determined contributions for the State. 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

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

	<b>1% Decrease (4.40%)</b>	<b>Current Discount Rate (5.40%)</b>	<b>1% Increase (6.400%)</b>
State's proportionate share of the net pension liability attributable to the Charter School	\$ 4,340,416	\$ 3,687,073	\$ 3,159,411

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8 POST-RETIREMENT BENEFITS**

***General Information about the OPEB Plan***

The State of New Jersey Provides post-retirement (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2020, the State paid PRM benefits for 143,053 State and local retirees.

The State funds post-retirement medical benefits on a “pay-as-you-go” basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2020, the State contributed \$1.578 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State’s “pay as-you-go” contributions have decreased from Fiscal Year 2019 amounts. Reductions are attributable to various cost savings initiatives implemented by the State, including new Medicare Advantage contracts. The State has appropriated \$1.775 billion in Fiscal Year 2021 as the State’s contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2020 total State OPEB liability to provide these benefits is \$65.5 billion, a decrease of \$10.5 billion or 13.8 percent from the \$76.0 billion liability recorded in Fiscal Year 2019.

Additional information on Pensions and OPEB can be accessed at [state.nj.us/treasury/pensions/financial-reports.shtml](http://state.nj.us/treasury/pensions/financial-reports.shtml).

**Total OPEB Liability**

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School’s proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Accordingly, the following OPEB liability note information is reported at the State’s level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases:			
Through 2026	1.55% - 4.45% based on years of service	2.00% - 6.00% based on years of service	3.25% - 15.25% based on years of service
Thereafter	1.55% - 4.45% based on years of service	3.00% - 7.00% based on years of service	Applied to all future years

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP) “General” (PERS), and “Safety” (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rate were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial studies for periods July 1, 2015 – June 30, 2018, July 1, 2014 – June 30, 2018, and July 1, 2013 – June 30, 2018 for TPAF, PERS and PFRS, respectively.

(a) Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially is 5.6% and decreases to a 4.5% long-term rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

(b) Discount rate

The discount rate for June 30, 2020 was 2.21%. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

Balance at 6/30/19 measurement date	\$ 1,098,529
Changes for the year	
Service cost	115,145
Interest	41,969
Differences between expected and actual experience	197,054
Changes in assumptions and other inputs	318,092
Benefit payments	(30,316)
Contributions from the member	<u>919</u>
Net Change	<u>642,863</u>
Balance at 6/30/20 measurement date	<u>\$ 1,741,392</u>

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

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	<u>\$ 2,099,338</u>	<u>\$ 1,741,392</u>	<u>\$ 1,461,513</u>

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

	<u>1% Decrease</u>	<u>Current Health Cost Trend Rate</u>	<u>1% Increase</u>
Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	\$ 1,405,710	\$ 1,741,392	\$ 2,141,114

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

For the year ended June 30, 2021, the Charter School recognize OPEB revenue and expense of \$170,621 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the Charter School's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 296,205	\$ 198,703
Difference between expected and actual experience	264,389	235,508
Changes in proportion	<u>132,202</u>	<u>34,923</u>
	<u>\$ 692,796</u>	<u>\$ 469,134</u>

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

	<u>Year Ended June 30</u>
2021	\$ 17,210
2022	17,210
2023	17,210
2024	17,210
2023	17,210
Thereafter	137,612

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 9 DEFERRED COMPENSATION**

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

**NOTE 10 RISK MANAGEMENT**

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

**A. Property and Liability Insurance**

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

**B. New Jersey Unemployment Compensation**

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

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES**

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Asset.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

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

At June 30, 2021, the interfund balances consisted of the following components:

	RECEIVABLE (PAYABLE)		
	General Fund	Special Revenue Fund	Enterprise Fund
General fund	\$ 28,231	\$ (28,231)	\$ -
GASB No 34 mandated eliminations within governmental activities	(28,231)	28,231	-
Net interfund balances reported as follows:			
Entity-wide (eliminated in total column)	\$ -	\$ -	\$ -

**NOTE 12 LEASE**

Effective May 19, 2017, the Charter School entered into a lease agreement with the St. Paul Roman Catholic Church effective July 1, 2017 for a period of two (2) years until June 30, 2019. The lease was renewed for another three (3) years until June 30, 2022. Subsequent extensions are subject to mutual agreement with the St. Paul Roman Catholic Church. Future minimum annual rental in 2022 based on the current agreement is \$292,632.

**NOTE 13 CONTINGENCIES**

**State and Federal Aid Receipts**

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2021, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2021.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED**

**NOTE 14 COVID-19 PUBLIC HEALTH EMERGENCY**

On June 4, 2021, Governor Murphy signed legislation (A5820/S3866) and Executive Order No. 244 ending of the COVID-19 Public Health Emergency that has been in place since March 9, 2020. Under the legislation, the majority of executive orders issued pursuant to the Public Health Emergency expired 30 days from the approval date. The legislation allows for the termination of the Public Health Emergency while also allowing the Administration to retain the tools necessary to manage the ongoing threat posed by the pandemic. Specifically, the Administration is authorized to issue orders, directives, and waivers under the authority in the Emergency Health Powers Act that are related to vaccination efforts; testing; health resource and personnel allocation; data collection, retention, sharing, and access; coordination of local health departments; and implementation of any CDC recommendations to prevent the transmission of COVID-19. This authority lasts until January 11, 2022, and can be extended for 90 days with the passage of a concurrent resolution by the Legislature.

With the end of the Public Health Emergency, full-time school operations was restored in New Jersey beginning September 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

**BUDGETARY COMPARISON SCHEDULES**

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local Sources:					
Local tax levy	\$ 1,375,731	\$ 41,044	\$ 1,416,775	\$ 1,416,775	\$ -
Other local proceeds from sale of property	-	-	-	1,303,454	1,303,454
Miscellaneous	-	-	-	6,140	6,140
<b>Total - Local Sources</b>	<b>1,375,731</b>	<b>41,044</b>	<b>1,416,775</b>	<b>2,726,369</b>	<b>1,309,594</b>
State Sources:					
Categorical special education aid	28,741	-	28,741	28,741	-
Equalization aid	450,331	(39,387)	410,944	410,944	-
Categorical security aid	30,051	(1,657)	28,394	28,394	-
Adjustment aid	22,500	-	22,500	22,500	-
On-behalf T.P.A.F. pension contributions - normal cost (non-budgeted)	-	-	-	143,065	143,065
On-behalf T.P.A.F. pension contributions - post-retirement medical (non-budgeted)	-	-	-	44,834	44,834
On-behalf T.P.A.F. pension contributions - long-term disability insurance (non-budgeted)	-	-	-	211	211
Reimbursed T.P.A.F. social security contributions (non-budgeted)	-	-	-	51,300	51,300
<b>Total - State Sources</b>	<b>531,623</b>	<b>(41,044)</b>	<b>490,579</b>	<b>729,989</b>	<b>239,410</b>
<b>Total Revenues</b>	<b>1,907,354</b>	<b>-</b>	<b>1,907,354</b>	<b>3,456,358</b>	<b>1,549,004</b>
<b>Expenditures</b>					
Current Expense:					
Regular Programs - Instruction:					
Grades 6-8 - salaries of teachers	619,620	29,000	648,620	625,044	23,576
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	22,750.00	(19,172)	3,578	500	3,078
Purchased professional - educational services	5,000.00	4,600	9,600	7,500	2,100
Other purchased services (400-500 Series)	2,700.00	8,160	10,860	9,610	1,250
General supplies	8,529.00	6,708	15,237	12,350	2,887
Textbooks	12,257.00	55,313	67,570	61,010	6,560
Miscellaneous	2,195	2,468	4,663	4,228	435
<b>Total Regular Programs - Instruction</b>	<b>673,051</b>	<b>87,077</b>	<b>760,128</b>	<b>720,242</b>	<b>39,886</b>
Undistributed Expenditures - Health Services:					
Salaries	4,005	50,525	54,530	45,749	8,781
Supplies and materials	-	1,591	1,591	1,489	102
<b>Total Undistributed Expenditures - Health Services</b>	<b>4,005</b>	<b>52,116</b>	<b>56,121</b>	<b>47,238</b>	<b>8,883</b>
Undistributed Expenditures - Child Study Team:					
Salaries of other professional staff	-	49,223	49,223	49,223	-
Undistributed Expenditures - Support Services - General Administration:					
Salaries	247,954	(107,165)	140,789	140,789	-
Other purchased professional services	28,117	4,339	32,456	32,456	-
Legal services	36,000	12,931	48,931	48,931	-
Audit Fees	-	19,250	19,250	19,250	-
Communications/telephone	15,142	(4,803)	10,339	9,429	910
Miscellaneous purchased services (400-500)	-	605	605	535	70
General supplies	12,613	(12,133)	480	270	210
Miscellaneous expenditures	1,984	13,160	15,144	15,144	-
<b>Total Undistributed Expenditures - Support Services - General Administration</b>	<b>341,810</b>	<b>(73,816)</b>	<b>267,994</b>	<b>266,804</b>	<b>1,190</b>
Undistributed Expenditures - Support Services - School Administration:					
Salaries of secretarial and clerical assistants	123,999	(117,105)	6,894	-	6,894
Purchased professional and technical services	41,519	(25,262)	16,257	11,929	4,328
Other purchased services (400-500 Series)	20,297	22,255	42,552	35,836	6,716
<b>Total Undistributed Expenditures - Support Services - School Administration</b>	<b>185,815</b>	<b>(120,112)</b>	<b>65,703</b>	<b>47,765</b>	<b>17,938</b>
Undistributed Expenditures - Central Services:					
Salaries	-	63,000	63,000	63,000	-
Miscellaneous purchased services (400-500 Series)	-	76,560	76,560	75,500	1,060
<b>Total Undistributed Expenditures - Central Services</b>	<b>-</b>	<b>139,560</b>	<b>139,560</b>	<b>138,500</b>	<b>1,060</b>
Custodial Services:					
Salaries	105,000	(52,792)	52,208	42,244	9,964
Rental of land and building other than lease purchase agreement	275,834	8,272	284,106	284,105	1
Cleaning, repair, and maintenance services	280	2,097	2,377	2,377	-
Insurance	41,748	(28,453)	13,295	13,295	-
Energy	50,000	(3,317)	46,683	38,836	7,847
General supplies	2,000	(1,687)	313	-	313
Other objects	5,214	3,000	8,214	7,548	666
<b>Total Undistributed Expenditures - Custodial Services</b>	<b>480,076</b>	<b>(72,880)</b>	<b>407,196</b>	<b>388,405</b>	<b>18,791</b>
Unallocated Benefits - Employee Benefits:					
Social Security contributions	-	23,000	23,000	18,483	4,517
Other retirement contributions - PERS	-	22,000	22,000	5,575	16,425
Unemployment compensation	-	4,875	4,875	4,875	-
Health benefits	-	101,144	101,144	89,068	12,076
Other employee benefits	236,163	(212,187)	23,976	16,475	7,501

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Total Unallocated Benefits - Employee Benefits	236,163	(61,168)	174,995	134,476	40,519
On-behalf T.P.A.F. pension contributions - normal cost (non-budgeted)	-	-	-	143,065	(143,065)
On-behalf T.P.A.F. pension contributions - post-retirement medical (non-budgeted)	-	-	-	44,834	(44,834)
On-behalf T.P.A.F. pension contributions - long-term disability insurance (non-budgeted)	-	-	-	211	(211)
Reimbursed T.P.A.F. social security contributions (non-budgeted)	-	-	-	51,300	(51,300)
Total On-behalf Contributions	-	-	-	239,410	(239,410)
Total Personal Services - Employee Benefits	236,163	(61,168)	174,995	373,886	(198,891)
Total Undistributed Expenditures	1,247,869	(87,077)	1,160,792	1,311,821	(151,029)
Total Expenditures	1,920,920	-	1,920,920	2,032,063	(111,143)
Excess (Deficiency) of Revenues Over Expenditures	(13,566)	-	(13,566)	1,424,295	1,437,861
Fund Balances at beginning of year	415,373	-	415,373	415,373	-
Fund Balances at end of year	\$ 401,807	\$ -	\$ 401,807	\$ 1,839,668	\$ 1,437,861
Recapitulation:					
Assigned:					
Year-End Encumbrances				\$ 35,681	
Unassigned				1,803,987	
				1,839,668	
Reconciliation to Governmental Funds Statements (GAAP):					
Fiscal Year 2021 Last State Aid Payments not Recognized on GAAP Basis				-	
Fund Balance per Governmental Funds (GAAP)				\$ 1,839,668	



SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
<b>Revenues</b>					
Local	\$ -	\$ -	\$ -	\$ 3,260	\$ 3,260
Federal	351,404	-	351,404	73,819	(277,585)
Total revenues - all sources	<u>351,404</u>	<u>-</u>	<u>351,404</u>	<u>77,079</u>	<u>(274,325)</u>
<b>Expenditures</b>					
Current Expenditures:					
Instruction:					
Purchased professional and technical services	83,830	2,458	86,288	7,784	78,504
Other purchased services	25,000	-	25,000	-	25,000
Supplies and materials	82,039	243	82,282	33,131	49,151
Miscellaneous	115,250	232	115,482	7,732	107,750
Total instruction	<u>306,119</u>	<u>2,933</u>	<u>309,052</u>	<u>48,647</u>	<u>260,405</u>
Support services:					
Purchased services	27,275	(605)	26,670	9,490	17,180
Supplies and materials	18,010	(2,328)	15,682	15,682	-
Rent	-	-	-	3,894	(3,894)
Total support services	<u>45,285</u>	<u>(2,933)</u>	<u>42,352</u>	<u>29,066</u>	<u>13,286</u>
Total Expenses	<u>351,404</u>	<u>-</u>	<u>351,404</u>	<u>77,713</u>	<u>273,691</u>
Excess revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	(634)	(634)
Fund Balance at beginning of year, as reported				-	
Prior period adjustment				<u>13,771</u>	
Fund Balance at beginning of year, as restated				<u>13,771</u>	
Fund Balance at end of year				<u>\$ 13,137</u>	

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY GAAP RECONCILIATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 3,456,358	[C-2] 77,079
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>3,456,358</u>	[B-2] <u>77,079</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 2,032,063	[C-2] 77,079
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 2,032,063</u>	[B-2] <u>\$ 77,079</u>

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART III**

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

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

Last Ten Fiscal Years <sup>(1)</sup>

	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Charter School's proportion of the net pension liability (asset)	0.0004836603%	0.0004502905%	0.0006465416%	0.0006544737%	0.0004576841%	0.0053388740%	NA
Charter School's proportionate share of the net pension liability (asset)	\$ 78,872	\$ 81,136	\$ 127,301	\$ 152,351	\$ 135,553	\$ 119,847	NA
Charter School's covered-employee payroll	\$ 255,824	\$ -	\$ 22,001	\$ 10,668	\$ 22,001	\$ 40,668	NA
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31%	0.00%	578.61%	1428.11%	616.12%	294.70%	NA
Plan fiduciary net position as a percentage of the total pension liability	58.32%	42.00%	53.60%	48.10%	40.14%	38.21%	NA

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

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

Last Ten Fiscal Years <sup>(1)</sup>

	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 5,291	\$ 4,380	\$ 6,431	\$ 6,063	\$ 4,066	\$ 4,590	\$ 4,901
Contributions in relation to the contractually required contribution	(5,291)	(4,380)	(6,431)	(6,342)	(4,066)	(4,590)	(4,901)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (279)	\$ -	\$ -	\$ -
Charter School's covered-employee payroll	\$ 255,824	\$ -	\$ 22,001	\$ 10,668	\$ 22,001	\$ 40,668	\$ 38,052
Contributions as a percentage of covered-employee payroll	2.07%	0.00%	29.23%	56.83%	18.48%	11.29%	12.88%

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT L-3

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

Last Ten Fiscal Years <sup>(1)</sup>

	Fiscal Year Ended June 30,					
	2021	2020	2019	2018	2017	2016
Charter School's proportion of the net pension liability (asset)	0.0055993015%	0.0056986123%	0.0061357129%	0.0058319069%	0.0050558025%	0.0047887990%
Charter School's proportionate share of the net pension liability (asset)	\$ 3,687,073	\$ 3,497,292	\$ 3,903,409	\$ 3,932,082	\$ 3,977,216	\$ 3,026,725
Charter School's covered-employee payroll	\$ 684,311	\$ 712,544	\$ 454,742	\$ 605,664	\$ 580,423	\$ 583,342
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	538.80%	490.82%	858.38%	649.22%	685.23%	518.86%
Plan fiduciary net position as a percentage of the total pension liability	24.60%	26.95%	26.49%	25.41%	22.83%	28.71%

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III  
YEAR ENDED JUNE 30, 2021****Public Employees Retirement System (PERS)**

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

*Change in assumptions.* The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 6.28% to 7.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

The projection of cash flows used to determine the discount rate of 7% as of June 30, 2020 measurement date assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and nonemployer contributing entity will be based on 78% (70% in prior measurement date) of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

*Change in benefit terms.* There is no change in the benefit terms.

*Change in assumptions.* The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 5.60% to 5.40% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 5.60% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.00% in prior measurement date) and a municipal bond rate of 2.21% (3.5% in prior measurement date) based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**Other Post-employment Benefits (OPEB)**

*Change in benefit terms.* There is no change in the benefit terms.

*Change in assumptions.* The calculation of the discount rate used to measure the total nonemployer OPEB liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 3.87% to 3.50% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.



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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT M-1

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

Last Ten Fiscal Years <sup>(1)</sup>

	Fiscal Year Ended June 30,			
	2021	2020	2019	2018
Total State OPEB Liability Attributable to Charter School				
Service cost	\$ 115,145	\$ 94,387	\$ 111,526	\$ 132,563
Interest	41,969	46,821	50,249	41,322
Difference between expected and actual experience	197,054	(158,002)	(177,595)	-
Changes in assumptions and other inputs	318,092	16,379	(129,864)	(169,980)
Contributions from the member	919	1,000	1,046	1,114
Benefit payments	<u>(30,316)</u>	<u>(33,722)</u>	<u>(30,260)</u>	<u>(30,263)</u>
Net Change in Total State OPEB Liability Attributable to Charter School	642,863	(33,137)	(174,898)	(25,244)
Liability Attributable to the Charter School Retirees				
At beginning of year	<u>\$ 1,098,529</u>	<u>\$ 1,131,666</u>	<u>1,306,564</u>	<u>1,331,808</u>
At end of year	<u>\$ 1,741,392</u>	<u>\$ 1,098,529</u>	<u>\$ 1,131,666</u>	<u>\$ 1,306,564</u>
Charter School's proportionate share of the Total OPEB Liability	0%	0%	0%	0%
Charter School Covered-employee payroll <sup>(2)</sup>	\$ 940,135	\$ 712,544	\$ 476,743	\$ 616,332
Total State OPEB liability as a percentage of Charter School covered-employee payroll	185%	154%	237%	212%

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

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND**

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2021

	Title I	Title II Part A	IDEA	Title IV	COVID-19 Grants			Student Activities	Total
					Education Stabilization Fund (CARES Act)	COVID Relief Fund CRF (CARES Act)	Digital Divide Grant (CARES Act)		
<b>Revenues</b>									
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,260	\$ 3,260
Federal	3,405	4,379	11,279	5,366	30,460	8,911	10,019	-	73,819
Total revenues - all sources	\$ 3,405	\$ 4,379	\$ 11,279	\$ 5,366	\$ 30,460	\$ 8,911	\$ 10,019	\$ 3,260	\$ 77,079
<b>Expenditures</b>									
Current Expenditures:									
Instruction:									
Salaries of teachers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchased professional and technical services	3,405	4,379	-	-	-	-	-	-	7,784
Other purchased services	-	-	-	-	-	-	-	-	-
Supplies and materials	-	-	1,789	5,366	7,046	8,911	10,019	-	33,131
Miscellaneous	-	-	-	-	7,732	-	-	-	7,732
Total instruction	3,405	4,379	1,789	5,366	14,778	8,911	10,019	-	48,647
Support services:									
Purchased services	-	-	9,490	-	-	-	-	-	9,490
Supplies and materials	-	-	-	-	15,682	-	-	-	15,682
Student activities	-	-	-	-	-	-	-	3,894	3,894
Total support services	-	-	9,490	-	15,682	-	-	3,894	29,066
Total expenditures	3,405	4,379	11,279	5,366	30,460	8,911	10,019	3,894	77,713
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (634)	\$ (634)
Fund Balance at beginning of year, as reported								-	-
Prior period adjustment								13,771	13,771
Fund Balance at beginning of year, as restated								13,771	13,771
Fund Balance at end of year								\$ 13,137	\$ 13,137

## **CAPITAL PROJECTS FUND**

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

At June 30, 2021, there was no capital project fund.

## **ENTERPRISE FUNDS**

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2021

	<u>FOOD SERVICE</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	<u>-</u>
Total Assets	<u>\$ -</u>
<b>Liabilities</b>	
Current liabilities	
Interfund payable - General fund	<u>\$ -</u>
<b>Net assets</b>	
Unrestricted	<u>-</u>
Total Liabilities and Net Position	<u>\$ -</u>



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**ENTERPRISE FUND**

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

**YEAR ENDED JUNE 30, 2021**

	<u>FOOD SERVICE</u>
Operating revenues:	
Charges for services:	
Daily sales - nonreimbursable programs	\$ -
Miscellaneous revenue	-
	<hr/>
Total operating revenues	-
	<hr/>
Operating expenses:	
Miscellaneous	-
	<hr/>
Operating income (loss)	-
	<hr/>
Nonoperating revenues:	
State sources:	
State School Lunch	-
Federal sources:	
National School Lunch	-
National School Breakfast	-
Special Milk Program for Children	-
After School Snacks	-
	<hr/>
Total nonoperating revenues	-
	<hr/>
Changes in net position	-
Total net position at beginning of year	-
	<hr/>
Total net position at end of year	\$ -
	<hr/> <hr/>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**ENTERPRISE FUND**

**COMBINING SCHEDULE OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2021**

	<b>FOOD SERVICE</b>
<b>Cash flows from operating activities</b>	
Operating income	\$ -
Changes in assets and liabilities:	
Accounts receivable	-
Interfund payable	-
Intergovernmental payable	-
Net cash from operating activities	<u>-</u>
<b>Cash flows from noncapital financing activities</b>	
Cash received from state and federal reimbursements	<u>-</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents at beginning of the year	<u>-</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>

## **FIDUCIARY FUNDS**

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School's own programs which are as follow:

- a) Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b) Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c) Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

At June 30, 2021, the Charter School do not have a Trust Fund nor Custodial Fund.

## **LONG-TERM DEBT**

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

# **STATISTICAL SECTION (UNAUDITED)**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**INTRODUCTION TO THE STATISTICAL SECTION**

<b><u>Contents</u></b>		<b><u>Page</u></b>
<b>Financial Trends</b>	These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	<b>78</b>
<b>Revenue Capacity</b>	These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	<b>N/A</b>
<b>Debt Capacity</b>	These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	<b>N/A</b>
<b>Demographic and Economic Information</b>	These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	<b>82</b>
<b>Operating Information</b>	These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	<b>84</b>
<b>Sources:</b>	Unless otherwise noted, the information in these schedules are derived from the comprehensive annual financial reports (CAFR) for the relevant year.	

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

*(Accrual basis of accounting)*

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ -	\$ 425,387	\$ 450,086	\$ 474,785	\$ 499,482	\$ 524,179	\$ 555,175	\$ 583,179	\$ 616,532	\$ 641,836
Restricted	13,137	13,771	-	-	-	-	5,000	-	600,000	600,000
Unrestricted	<u>1,722,051</u>	<u>298,362</u>	<u>645,246</u>	<u>1,309,375</u>	<u>1,724,057</u>	<u>1,760,352</u>	<u>1,720,639</u>	<u>1,596,578</u>	<u>1,077,609</u>	<u>825,702</u>
Total governmental activities net position	<u>\$ 1,735,188</u>	<u>\$ 723,749</u>	<u>\$ 1,095,332</u>	<u>\$ 1,784,160</u>	<u>\$ 2,223,539</u>	<u>\$ 2,284,531</u>	<u>\$ 2,280,814</u>	<u>\$ 2,179,757</u>	<u>\$ 2,294,141</u>	<u>\$ 2,067,538</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	76	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School-wide										
Invested in capital assets, net of related debt	\$ -	\$ 425,387	\$ 450,086	\$ 474,785	\$ 499,482	\$ 524,179	\$ 555,175	\$ 583,179	\$ 616,532	\$ 641,836
Restricted	13,137	13,771	-	-	-	-	5,000	-	600,000	600,000
Unrestricted	<u>1,722,051</u>	<u>298,362</u>	<u>645,246</u>	<u>1,309,375</u>	<u>1,724,057</u>	<u>1,760,428</u>	<u>1,720,639</u>	<u>1,596,578</u>	<u>1,077,609</u>	<u>825,702</u>
Total charter school net position	<u>\$ 1,735,188</u>	<u>\$ 737,520</u>	<u>\$ 1,095,332</u>	<u>\$ 1,784,160</u>	<u>\$ 2,223,539</u>	<u>\$ 2,284,607</u>	<u>\$ 2,280,814</u>	<u>\$ 2,179,757</u>	<u>\$ 2,294,141</u>	<u>\$ 2,067,538</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

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

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Expenses</b>										
Governmental activities										
Instruction	\$ 1,177,478	1,495,166	\$1,363,460	\$912,748	\$812,836	\$870,500	\$692,203	\$649,044	\$520,890	\$492,455
Administrative	406,529	648,266	570,881	654,946	471,125	375,015	447,806	373,186	281,914	263,412
Support Services	783,209	458,762	515,513	648,007	202,644	221,090	54,982	55,621	173,709	166,202
Unallocated										
Capital Outlay	-	-	-	83,462	-	-	-	239,852	8,397	32,143
Depreciation	4,116	24,699	24,699	24,697	24,697	30,996	16,787	16,787	33,701	-
Total governmental activities expenses	2,371,332	2,626,893	2,474,553	2,323,860	1,511,302	1,497,601	1,211,778	1,334,490	1,018,611	954,212
Business-type activities:										
Food service	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	-	-	-	-	-	-	-	-	-	-
Total charter school expenses	2,371,332	2,626,893	2,474,553	2,323,860	1,511,302	1,497,601	1,211,778	1,334,490	1,018,611	954,212
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:	3,260	-	-	-	-	-	-	-	-	-
Operating grants and contributions	570,063	485,198	528,834	421,486	4,345	327,867	-	-	23,746	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	573,323	485,198	528,834	421,486	4,345	327,867	-	-	23,746	-
Business-type activities:										
Charges for services										
Food service	-	-	-	-	-	76	-	-	-	-
Total business-type activities program revenues	-	-	-	-	-	76	-	-	-	-
Total charter school program revenues	573,323	485,198	528,834	421,486	4,345	327,943	-	-	23,746	-
<b>Net (Expense)/Revenue</b>										
Governmental activities	(1,798,009)	(2,141,695)	(1,945,719)	(1,902,374)	(1,506,957)	(1,169,734)	(1,211,778)	(1,334,490)	(994,865)	(954,212)
Business-type activities	-	-	-	-	(76)	76	-	-	-	-
Total charter school-wide net expense	(1,798,009)	(2,141,695)	(1,945,719)	(1,902,374)	(1,507,033)	(1,169,658)	(1,211,778)	(1,334,490)	(994,865)	(954,212)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes levied for general purposes, net	1,416,775	1,340,763	974,413	948,530	162,653	832,152	1,066,313	866,386	1,209,945	1,199,599
Grants and contributions	490,579	421,663	282,132	232,546	1,281,758	337,895	230,630	352,683	-	-
Gain on sale of property	882,183	-	-	-	-	-	-	-	-	-
Increase in net capital outlay	-	-	-	-	-	-	-	-	8,397	-
Miscellaneous income	6,140	7,686	346	281,919	1,554	3,404	15,892	1,037	3,126	4,701
Total governmental activities	2,795,677	1,770,112	1,256,891	1,462,995	1,445,965	1,173,451	1,312,835	1,220,106	1,221,468	1,204,300
Total charter school-wide	2,795,677	1,770,112	1,256,891	1,462,995	1,445,965	1,173,451	1,312,835	1,220,106	1,221,468	1,204,300
<b>Changes in Net Position</b>										
Governmental activities	997,668	(371,583)	(688,828)	(439,379)	(60,992)	3,717	101,057	(114,384)	226,603	250,088
Business-type activities	-	-	-	-	(76)	76	-	-	-	-
Total charter school	\$ 997,668	\$ (371,583)	\$ (688,828)	\$ (439,379)	\$ (61,068)	\$ 3,793	\$ 101,057	\$ (114,384)	\$ 226,603	\$ 250,088



CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

FUND BALANCES - GOVERNMENTAL FUND

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Assigned	\$ 35,681	\$ 13,566	\$ 15,170	\$ 21,644	\$ 6,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -
Unassigned	<u>1,803,987</u>	<u>401,807</u>	<u>735,739</u>	<u>1,366,131</u>	<u>1,777,156</u>	<u>1,801,755</u>	<u>1,744,005</u>	<u>1,596,578</u>	<u>1,077,609</u>	<u>825,702</u>
Total general fund	<u>\$ 1,839,668</u>	<u>\$ 415,373</u>	<u>\$ 750,909</u>	<u>\$ 1,387,775</u>	<u>\$ 1,783,156</u>	<u>\$ 1,801,755</u>	<u>\$ 1,749,005</u>	<u>\$ 1,596,578</u>	<u>\$ 1,077,609</u>	<u>\$ 825,702</u>
All Other Governmental Funds										
Restricted, Student activity	<u>13,137</u>	<u>13,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds:	<u>\$ 1,852,805</u>	<u>\$ 429,144</u>	<u>\$ 750,909</u>	<u>\$ 1,387,775</u>	<u>\$ 1,783,156</u>	<u>\$ 1,801,755</u>	<u>\$ 1,749,005</u>	<u>\$ 1,596,578</u>	<u>\$ 1,077,609</u>	<u>\$ 825,702</u>

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

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

Function	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Revenues</b>										
Local Sources:										
Local tax levy (local and state share)	\$ 1,416,775	\$ 1,340,763	\$ 974,413	\$ 948,530	\$ 817,182	\$ 1,157,853	\$ 1,066,313	\$ 866,386	\$ 915,511	\$ 854,582
Other Local Proceeds from Sale of Property	1,303,454	-	-	-	-	-	-	-	-	-
Miscellaneous	9,400	7,686	346	281,919	1,554	3,404	15,892	1,037	3,126	4,701
State sources	729,989	657,941	505,758	431,256	533,776	148,561	201,927	330,310	294,434	345,017
Federal sources	73,819	72,222	68,718	59,800	97,798	47,171	28,703	22,373	23,746	-
Total Revenues	<u>3,533,437</u>	<u>2,078,612</u>	<u>1,549,235</u>	<u>1,721,505</u>	<u>1,450,310</u>	<u>1,356,989</u>	<u>1,312,835</u>	<u>1,220,106</u>	<u>1,236,817</u>	<u>1,204,300</u>
Current expense										
Instruction	768,889	1,026,584	820,542	670,180	615,293	587,347	540,159	541,024	520,890	492,455
Administrative cost	314,569	716,239	654,621	743,288	677,757	397,179	525,953	464,640	281,914	263,412
Support services	786,908	435,147	487,212	619,956	175,859	183,346	94,296	55,621	173,709	166,202
Capital outlay	-	-	-	83,462	-	-	-	239,852	8,397	-
TPAF - FICA Reimbursement	51,300	64,645	56,989	-	-	47,689	-	-	-	-
TPAF - On-behalf payments	188,110	171,633	166,637	-	-	88,678	-	-	-	-
Total Expenditures	<u>2,109,776</u>	<u>2,414,248</u>	<u>2,186,001</u>	<u>2,116,886</u>	<u>1,468,909</u>	<u>1,304,239</u>	<u>1,160,408</u>	<u>1,301,137</u>	<u>984,910</u>	<u>922,069</u>
Net change in fund balances	\$ <u>1,423,661</u>	\$ <u>(335,636)</u>	\$ <u>(636,766)</u>	\$ <u>(395,381)</u>	\$ <u>(18,599)</u>	\$ <u>52,750</u>	\$ <u>152,427</u>	\$ <u>(81,031)</u>	\$ <u>251,907</u>	\$ <u>282,231</u>

Source: Charter School's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

<b>Year</b>	<b>Population <sup>a</sup></b>	<b>Personal Income <sup>b</sup></b>	<b>Per Capita Personal Income <sup>c</sup></b>	<b>Unemployment Rate <sup>d</sup></b>
2021	**	**	**	**
2020	85,025	**	**	11.20%
2019	85,115	\$ 4,436,959,835	\$ 52,129	3.50%
2018	85,314	4,271,757,294	50,071	4.20%
2017	85,327	4,113,102,708	48,204	4.70%
2016	85,229	4,067,639,254	47,726	5.80%
2015	85,287	4,017,870,570	47,110	5.80%
2014	85,190	3,898,720,350	45,765	6.90%
2013	84,951	3,686,448,645	43,395	8.80%
2012	84,750	3,627,808,500	42,806	10.10%

\*\* Data not available

**Source:**

<sup>a</sup> U.S. Census Bureau, Population Division

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

<sup>c</sup> Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in thousands of current dollars (not adjusted for inflation). Estimates for 2010-2017 reflect county population estimates available as of March 6, 2019.

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

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago

Employer	2020		2008	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

Information not available

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

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

Function/Program	Fiscal Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Instruction	13	14	14	11	11	11	10	10	10	10
Administrative	2	3	2	2	2	3	3	3	3	3
Support Services	1	3	3	2	2	2	3	3	3	3
Total	16	20	19	15	15	16	16	16	16	16

**Source:** Charter School's personnel records

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures<sup>a</sup></u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff<sup>b</sup></u>	<u>Pupil/Teacher Ratio Middle School</u>	<u>Average Daily Enrollment (ADE)<sup>c</sup></u>	<u>Average Daily Attendance (ADA)<sup>c</sup></u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2021	180	\$ 2,032,063	\$ 11,289	-34.49%	15	12.00:1	180.0	174.6	66.22%	97.00%
2020	167	2,342,026	14,024	12.66%	13	11.93:1	117.9	114.4	0.00%	97.00%
2019	118	2,117,283	17,943	65.58%	14	8.43:1	117.9	114.4	0.86%	97.00%
2018	118	2,033,424	17,232	38.43%	11	10.73:1	108.3	116.3	-8.15%	107.42%
2017	118	1,468,909	12,448	14.87%	11	10.73:1	117.9	114.4	0.86%	97.03%
2016	116	1,257,068	10,837	11.08%	11	10.55:1	116.9	113.4	0.78%	97.00%
2015	116	1,131,705	9,756	7.99%	10	11.60:1	116.0	112.5	0.87%	97.00%
2014	115	1,038,912	9,034	7.33%	10	11.50:1	115.0	111.6	-1.71%	97.00%
2013	117	984,829	8,417	5.89%	10	11.70:1	117.0	113.7	0.86%	97.20%
2012	116	922,069	7,949	8.91%	10	11.60:1	116.0	112.5	-1.69%	97.00%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>c</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION  
Last Ten Fiscal Years**

	<b>Fiscal Year Ended June 30,</b>									
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
<u>Charter School Building</u>										
Square Feet	-	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Capacity (students)	180	180	180	120	120	120	120	120	120	120
Enrollment	180	167	118	116	116	116	116	115	117	116
 Number of Schools at June 30, 2021										
Middle School = 1	1	1	1	1	1	1	1	1	1	1

**Source:** Charter School's records

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**INSURANCE SCHEDULE**

**June 30, 2021  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
<b>School Package Policy <sup>a</sup></b>		
Commercial Property	\$ 1,395,000	
Misc. Prop. (Signature & Fencing)	13,000	
Business Personal Property	742,630	
Blanket Extra Expense	50,000,000	
Blanket Value Papers and Records	10,000,000	
Loss of Business Income/Tuition	2,000,000	\$ 1,000
Boiler and Machinery		
Flood Zones A&V	25,000,000	500,000
All Other Flood Zone	75,000,000	10,000
		per occurrence/NJSIG
Terrorism	1,000,000	annual aggregate
<b>EDP</b>		
Blanket Hardware/Software	650,000	
Computer Virus	250,000	1,000
<b>Equipment Breakdown</b>		
Property Damage & Business Income	2,150,630	25,000
<b>Crime</b>		
Public Employee Dishonesty	250,000	1,000
Forgery or Alteration	50,000	500
Loss of Money & Securities	50,000	500
Money Orders & Counterfeit Paper	50,000	500
Computer Fraud	250,000	1,000
<b>General Liability</b>		
Products/Completed Ops Annual Agg	31,000,000	
Sexual Abuse annual HJSIG agg	27,000,000	
Personal & Advertising Injury Ann Agg	31,000,000	
Employee Benefits Liability	31,000,000	1,000
Premises Medical Payments per Accident	10,000	
Premises Medical Payments per Person	5,000	
		per occurrence/NJSIG
Terrorism	1,000,000	annual aggregate
<b>Business Auto</b>		
Hired & Non-Owned Auto Liability	31,000,000	
<b>Environmental Impairment</b>		
Each Incident	1,000,000	50,000
Aggregate per Named Insured	2,000,000	
Coverage Aggregate	11,000,000	
<b>Environmental Impairment</b>		
Policy Aggregate of Liability	20,000,000	
Aggregate Sublimit Per Scheduled Insured	2,000,000	
Privacy Breach Response Services:		
Notified Individuals Limit	2,000,000	Aggregate



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**INSURANCE SCHEDULE**

**June 30, 2021  
(Unaudited)**

		Sublimit per Schedules
Notified Individuals Limit	250,000	Insured
Computer Expert/Legal Services	2,500,000	Aggregate
		Sublimit per Schedules
PR/Crisis Management Expenses Combined	1,000,000	Insured
Each Claim Retention	25,000	
<b>Errors and Omissions Liability</b>		
Coverage A	31,000,000	5,000
Coverage B	100,000	5,000
Coverage B	300,000	Policy period limit
<b>Workers Compensation <sup>a</sup></b>		
Employee Liability Limites		
Bodily Injury by Accident	3,000,000	Each Accident
Bodily Injury by Disease	3,000,000	Each Employee
Bodily Injury by Disease	3,000,000	Aggregate Limit
<b>Supplemental Indemnity</b>		
Maximum Weekly Benefit	2,500	
Aggregate per Accident	100,000	
<b>CAP Excess Liability</b>		
Each Occurrence	25,000,000	
Aggregate	25,000,000	
<b>Student Accident <sup>c</sup></b>		
Maximum Benefit:		
All Students including Athletics Football Excluded	6,000,000	
Catastrophe Cash Benefit	1,000,000	
Volunteers	50,000	
Non-Enrolled Campers	50,000	
<b>Public Official Bonds <sup>b</sup></b>		
Hector Berrios (Board Secretary)	150,000	

**Source:** Charter School's Records

<sup>a</sup> New Jersey Schools Insurance Group

<sup>b</sup> Federal Insurance Co. (Chubb)

<sup>c</sup> Zurich American (Bollinger)

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK  
FINANCIAL PERFORMANCE  
FISCAL RATIOS

Multi-Year Information  
(Unaudited)

	2019 Audit	2020 Audit	2021 Audit	Source
Cash	401,243	206,988	1,619,005	Audit: Exhibit A-1
Current Assets (include cash)	773,184	441,533	1,982,125	Audit: Exhibit A-1
Current Liabilities	22,175	26,160	129,320	Audit: Exhibit A-1
Total Expenses	2,474,553	2,626,893	2,371,332	Audit: Exhibit A-2
Change in Net Position	(688,828)	(371,583)	997,668	Audit: Exhibit A-2
Final Average Daily Enrollment (exclude PK)*	118	167	180	DOE Final Enrollment Report
March 30 Budgeted Enrollment (exclude PK)	120	170	170	March 30 Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	24,699	24,699	4,116	Auditor/Workpapers
Interest Expense	-	-	-	Auditor/Workpapers
Principal Payments	-	-	-	Auditor/Workpapers
Interest Payments	-	-	-	Auditor/Workpapers

Performance Indicators	2019	2020	2021	3 YR CUM	Calculation****	Target****
<b>Near Term Indicators</b>						
1a. Current Ratio (working capital ratio)	34.87	16.88	15.33		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b. Unrestricted days cash on hand	59.18	28.76	249		Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c. Enrollment Variance	98%	98%	106%	101%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.** Default on loans or delinquent in debt payments	NO	NO	NO		Auditor	not in default
<b>Sustainability Indicators</b>						
2a*** 3 Year Cumulative Cash Flow	(820,255)	(194,255)	1,412,017	397,507.00	Net change in cash flow from prior years	3 yr cum positive with most recent year positive
2b Debt Service Coverage Ratio	N/A	N/A	N/A		N/A or (Change in Net Position + depreciation + interest expense) / (principal + interest payments)	>1.10

\* For renaissance schools: use Oct 15 count if no final count; use head count if ADE not available  
 \*\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\*\* 2021 =2021 Cash - 2020 Cash; 2020 =2020 Cash-2019 Cash; 2019 =2019 Cash-2018 Cash  
 \*\*\*\* Refer to NJ Performance Framework

Meets Standard  
 Does Not Meet Standard  
 Falls Far Below Standard

# **SINGLE AUDIT SECTION**



EXHIBIT K-1

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

The Honorable President and  
Members of the Board of Trustees  
Classical Academy Charter School of Clifton  
County of Passaic  
Clifton, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Classical Academy Charter School of Clifton (the Charter School), in the County of Passaic, State of New Jersey, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated January 20, 2022.

**Internal Control Over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.


We also noted certain matters that we have reported to the Board of Trustees of the Classical Academy Charter School of Clifton in the County of Passaic, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated January 20, 2022.

**Charter School's Response to Findings**

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

**Purpose of this Report**

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

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

  
Galleros Robinson CPAs, LLP  
Certified Public Accountants

January 20, 2022  
Cream Ridge, New Jersey

CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)

EXHIBIT K-3  
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grant/ Pass-Through Grantor/ Program Title	Assistance Listing No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2020	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2021				
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor		
<b>U.S. Department of Education:</b>																
<b>Passed-through New Jersey State Department Education</b>																
<b>Special Revenue Fund:</b>																
Title I Part A Grants to Local Educational Agencies	84.010	S010A200030	ESSA - 6230 - 21	\$ 3,405	7/1/2020	9/30/2021	\$ -	\$ -	\$ -	(3,405)	\$ -	(3,405)	\$ -	\$ -		
Title I Part A Grants to Local Educational Agencies Individuals with Disabilities - States Grant	84.010	S010A190030	ESSA - 6230 - 20	38,445	7/1/2019	6/30/2020	(8,854)	-	8,854	-	-	-	-	-		
Individuals with Disabilities - States Grant	84.027	H027A200100	IDEA - 6230 - 21	11,279	7/1/2020	9/30/2021	-	-	-	(11,279)	-	(11,279)	-	-		
Individuals with Disabilities - States Grant	84.027	H027A190100	IDEA - 6230 - 20	17,854	7/1/2019	6/30/2020	(17,854)	-	17,854	-	-	-	-	-		
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A200029	ESSA - 6230 - 21	4,379	7/1/2020	9/30/2021	-	-	-	(4,379)	-	(4,379)	-	-		
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A190029	ESSA - 6230 - 20	5,923	7/1/2019	6/30/2020	(4,100)	-	4,100	-	-	-	-	-		
Title IV - Student Support and Academic Enrichment (ESSA)	84.424	S424A200031	ESSA - 6230 - 21	5,366	7/1/2020	9/30/2021	-	-	-	(5,366)	-	(5,366)	-	-		
Title IV - Student Support and Academic Enrichment (ESSA)	84.424	S424A190031	ESSA - 6230 - 20	10,000	7/1/2019	6/30/2020	(10,000)	-	10,000	-	-	-	-	-		
COVID 19 - CARES Act Emergency Relief Grant	84.425D	S425D200027	N/A	30,460	3/13/2020	9/30/2022	-	-	24,804	(30,460)	-	(5,656)	-	-		
COVID 19 - Digital Divide	84.425D	S377A130031	N/A	10,019	7/13/2020	10/31/2020	-	-	10,019	(10,019)	-	-	-	-		
Total U.S. Department of Education							(40,808)	-	75,631	(64,908)	-	(30,085)	-	-		
<b>U.S. Department of Treasury:</b>																
<b>Passed-through New Jersey State Department of Treasury</b>																
COVID 19 - Coronavirus Relief Fund	21.019	SLT0007	N/A	8,911	9/23/2020	12/31/2020	-	-	8,911	(8,911)	-	-	-	-		
Total U.S. Department of Treasury							-	-	8,911	(8,911)	-	-	-	-		
<b>Total Expenditures of Federal Awards</b>							\$ (40,808)	\$ -	\$ 84,542	\$ (73,819)	\$ -	\$ (30,085)	\$ -	\$ -		

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2021

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2020			Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2021			MEMO	
				Intergovernmental (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				Intergovernmental (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
<b>New Jersey State Department of Education</b>														
<b>General Fund:</b>														
Equalization Aid	21-495-034-5120-078	7/1/20-6/30/21	\$ 410,944	\$ -	\$ -	\$ -	245,858	\$ (410,944)	\$ 7,710	\$ (157,376)	\$ -	\$ -	\$ 157,376	\$ 410,944
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	368,652	-	7,710	-	-	-	(7,710)	-	-	-	-	-
Special Education Categorical Aid	21-495-034-5120-089	7/1/20-6/30/21	28,741	-	-	-	28,741	(28,741)	-	-	-	-	-	28,741
Security Aid	21-495-034-5120-084	7/1/20-6/30/21	28,394	-	-	-	28,394	(28,394)	-	-	-	-	-	28,394
Adjustment Aid	21-495-034-5120-085	7/1/20-6/30/21	22,500	-	-	-	22,500	(22,500)	-	-	-	-	-	22,500
Reimbursed Social Security Tax	21-495-034-5094-003	7/1/20-6/30/21	51,300	-	-	-	38,607	(51,300)	-	(12,693)	-	-	-	51,300
Reimbursed Social Security Tax	20-495-034-5094-003	7/1/19-6/30/20	64,645	(12,171)	-	-	12,171	-	-	-	-	-	-	-
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002	7/1/20-6/30/21	143,065	-	-	-	143,065	(143,065)	-	-	-	-	-	143,065
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	21-495-034-5094-001	7/1/20-6/30/21	44,834	-	-	-	44,834	(44,834)	-	-	-	-	-	44,834
On-Behalf-Teachers' Pension and Annuity Fund – Non-contributory Insurance	21-495-034-5094-004	7/1/20-6/30/21	211	-	-	-	211	(211)	-	-	-	-	-	211
Total General Fund				(12,171)	7,710	-	564,381	(729,989)	-	(170,069)	-	-	157,376	729,989
<b>Total Expenditures of State Financial Assistance</b>				\$ (12,171)	\$ 7,710	\$ -	\$ 564,381	(729,989)	\$ -	\$ (170,069)	\$ -	\$ -	\$ 157,376	\$ 729,989
<b>Less: On-Behalf TPAF Pension System Contributions</b>														
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002							143,065						
On-Behalf-Teachers' Pension and Annuity Fund – Post Retirement Medical	21-495-034-5094-001							44,834						
On-Behalf-Teachers' Pension and Annuity Fund – Non-contributory Insurance	21-495-034-5094-004							211						
								188,110						
<b>Total for State Financial Assistance-Major Program Determination</b>							\$ (541,879)							

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)****NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE****FISCAL YEAR ENDED JUNE 30, 2021****NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the Charter School's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:



**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 541,879	\$ 541,879
Special Revenue Fund	73,819	-	73,819
Total	<u>\$ 73,819</u>	<u>\$ 541,879</u>	<u>\$ 615,698</u>

**NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5 ON-BEHALF PAYMENTS**

TPAF Social Security Contributions represents reimbursements in the amount of \$51,300 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2021. The State had also made on-behalf TPAF payments for pension contributions, post-retirement medical benefits and long-term disability insurance contributions totaling \$188,110.

**NOTE 6 SCHOOLWIDE PROGRAM FUNDS**

Schoolwide programs are not separate federal programs as defined in the Uniform Guidance; 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. The following funds by program are included in schoolwide programs in the Charter School.

Title I, Part A: Grants to Local Education Agencies	3,405
Title II, Part A: Teacher and Principal Training and Recruiting	<u>4,379</u>
Total	<u>\$ 7,784</u>

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

**NOTE 7 ON BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF pension, post-retirement medical benefits and long-term disability insurance contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's financial statements and the amount subject to State single audit and major program determination.

**NOTE 8 DE MINIMIS INDIRECT COST**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Section**

Type of auditor's report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	___✓___ None reported
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes	___✓___ No
Noncompliance material to financial statements noted?	_____ Yes	___✓___ No

**Federal Awards (Not Applicable)**

Dollar threshold used to determine Type A and B programs:	<u>N/A</u>	
Internal control over compliance on major programs:		
Material weakness(es) identified?	_____ Yes	___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___ No
Type of auditor's report on compliance for major programs:	<u>N/A</u>	
Auditee qualified as low-risk auditee?	_____ Yes	___ No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?	_____ Yes	___ No

**Identification of Major Programs:**

<u>        </u> CFDA No. <u>        </u>	<u>        </u> Name of Federal Program <u>        </u>
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No major programs identified.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

**SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED**

**State Financial Assistance (Not Applicable)**

Dollar threshold used to determine Type A and B programs: N/A

Auditee qualified as low-risk auditee?  Yes  No

Type of auditor's report on compliance for major programs: N/A

Internal control over compliance:

Material weakness(es) identified?  Yes  No

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

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

**Identification of Major Programs:**

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

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

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

**SECTION II - FINANCIAL STATEMENT FINDINGS - CONTINUED**

**Internal control over financial reporting**  
None.

**Compliance and Other Matters**

None.

**SECTION III      FEDERAL AWARDS**

Not Applicable.

**SECTION IV      STATE FINANCIAL ASSISTANCE**

Not Applicable.

**CLASSICAL ACADEMY CHARTER SCHOOL OF CLIFTON  
(COUNTY OF PASSAIC, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**JUNE 30, 2021**

There was no prior year audit finding.