

***THOMAS EDISON ENERGYSMART CHARTER SCHOOL***

***COMPREHENSIVE ANNUAL  
FINANCIAL REPORT***

***FISCAL YEAR ENDED JUNE 30, 2015***

***THOMAS EDISON ENERGYSMART CHARTER SCHOOL***

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

***Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2015***

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT  
OF THE  
THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

***Prepared by***

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

***And***

***Barre & Company, CPAs***

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**David C. Hesse, Acting Commissioner of Education  
Secretary, State Board of Education**

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***INTRODUCTORY SECTION***

***THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
92 CORTELYOUS LANE  
FRANKLIN TOWNSHIP, NEW JERSEY 08873***

December 1, 2015

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of Thomas Edison EnergySmart Charter School (Charter School) for the fiscal year ended June 30, 2015. This CAFR includes the Charter School's Basic Financial Statement prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this 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 Thomas Edison EnergySmart Charter School 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 Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;

- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, , “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## **Charter School Organization**

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

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

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

Thomas Edison EnergySmart Charter School was granted its charter to operate their charter school during the 2010-2011 academic year, but could not open its doors until September, 2012, for their first school year, due to building issues. Thomas Edison EnergySmart Charter School began its school with grades Kindergarten through Grade 4 for its initial year, and it plans to add a new grade each year up to the 8<sup>th</sup> Grade.

Thomas Edison EnergySmart Charter School provides a full range of services appropriate to Grades Kindergarten thru 5. These services include regular, as well as special education and basic skills instruction. The Charter School completed the 2014-2015 school year with an enrollment of students. The following details the student enrollment of the Charter School.

Average Daily Enrollment (ADE)

<u>Fiscal Year</u>	<u>Actual Student Enrollment</u>	<u>Percent Change - ADE</u>
2014-2015	294	16.28%
2013-2014	252	21.35%
2012-2013	208	0.00%

**2. MISSION AND GOALS:** The mission of the Thomas Edison EnergySmart Charter School is to provide academic and social challenges and opportunities to students, instilling the skills and knowledge that they will need to succeed in their lives. The school aims to forge a powerful partnership out of the student-teacher-parent triad. This partnership will provide and empower our youth with the support necessary to reach their highest potential – intellectually, socially, emotionally and physically – building on their inherent promise to aid in their preparation for college and career. The school’s specific goals are to make its students aware of the green renewable resources and the hazards of global warming. Students are exposed to well designed common core aligned curriculum. Teachers 21<sup>st</sup> century skills and technology to make learning interactive, interesting and engaging for all students. Thomas Edison EnergySmart Charter School also offers after school activities like drama clubs, robotics, I-Pad classes, and similar opportunities to facilitate the well-rounded development of its students.

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

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2015.

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

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

**7. OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Barre & Company, Certified Public Accountants, was selected by the Board of Trustees. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the Single Audit

Act Amendment of 1996 and the related OMB Circular A-133, “Audits of State, Local Governments and Non-Profit Organization” and State Treasury Circular Letter 04-04 OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.” The auditors’ report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports, related specifically to the single audit, are included in the single audit section of this report.

**8. ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of Thomas Edison EnergySmart Charter School Board of Trustees for their concerns in providing fiscal accountability to the citizens and taxpayers of the participating Charter School and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff.

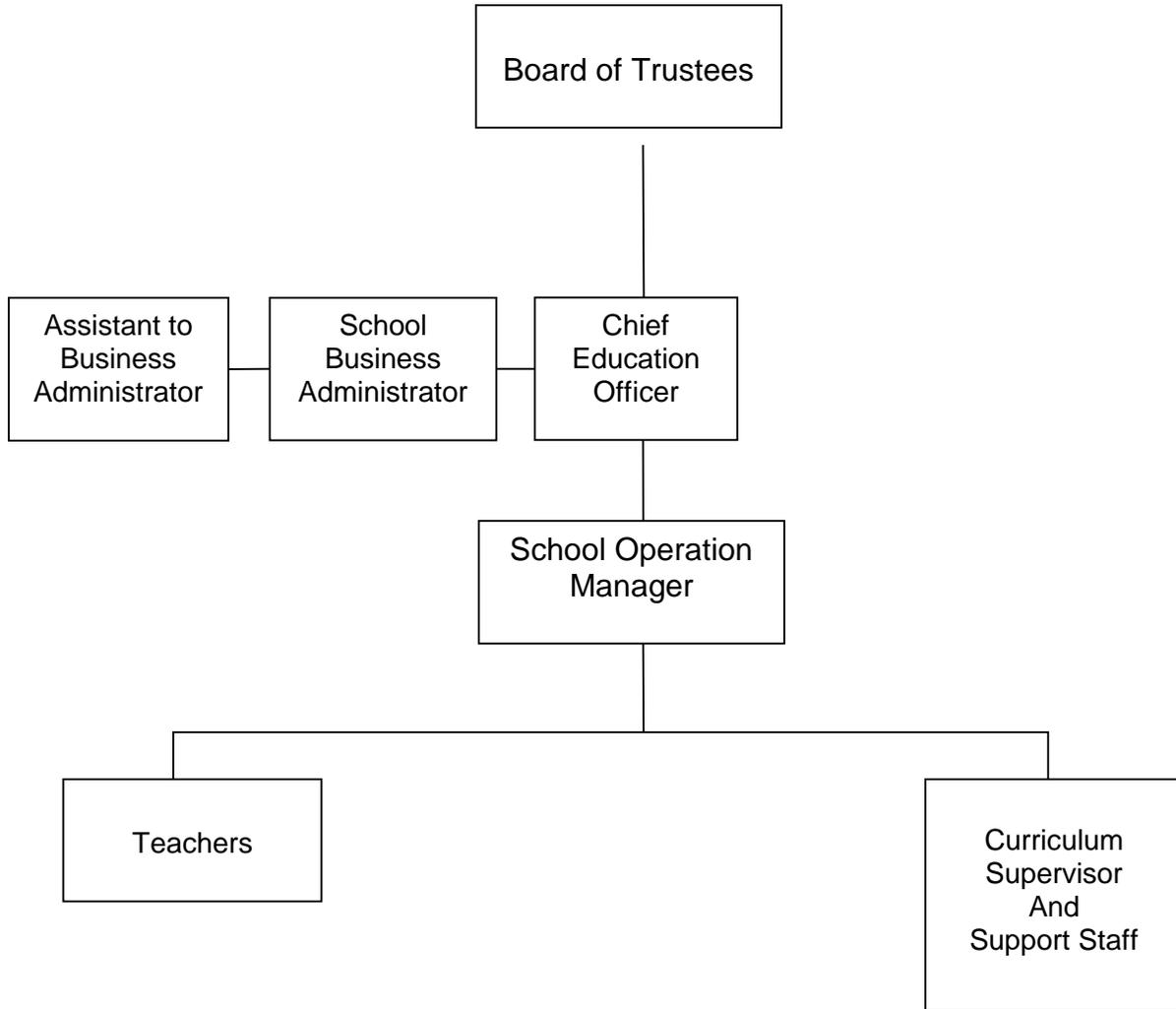
Respectfully submitted,

  
Oguz Yildiz  
Chief Education Officer

  
Ilgar Sadigov  
Business Administrator

THOMAS EDISON ENERGYSMART CHARTER SCHOOL

# ORGANIZATIONAL CHART



**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2015**

**MEMBERS OF THE BOARD OF TRUSTEES**

**POSITION**

Ferit Ucar

President

Keshaw Sahay

Vice President

Raif Rustamov

Trustee

Hanin Nashif

Trustee

Naif Tiryaki

Trustee

Ferhat Ture

Trustee

**OTHER OFFICIALS**

Oguz Yildiz

Chief Education Officer

Ilgar Sadigov

Bd. Sec'y/Business Administrator

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**CONSULTANTS AND ADVISORS**

***Audit Firm***

Barre & Company  
Certified Public Accountants  
2204 Morris Avenue, Suite 206  
Union, NJ 07083

***Attorneys***

Brenda Liss  
Riker Danzig  
Headquarters Plaza  
One Speedwell Avenue  
Morristown, NJ 07962-1981

***Official Depository***

PNC Bank  
8800 Tincum Boulevard  
Philadelphia, PA 19153

***FINANCIAL SECTION***

**BARRE & COMPANY**  
**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

*2204 Morris Avenue, Suite 206*

*Union, New Jersey 07083*

*(908) 686-3484*

*FAX – (908) 686-6055*

**Independent Auditor’s Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School (Charter School), in the County of Somerset, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School’s basic financial statements as listed in the table of contents.

***Management’s Responsibility for the Financial Statements***

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

***Auditor’s Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School, in the County of Somerset, State of New Jersey, as of June 30, 2015, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information starting on pages 15 and 68, respectively, 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information such as the combining and individual

fund financial statements and schedules of expenditures of federal awards and state financial assistance, as required by U.S. Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and New Jersey OMB's Circular 04-04, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid," respectively; and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Thomas Edison EnergySmart Charter School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the *Division of Finance, Department of Education, State of New Jersey*, in considering the Charter School's internal control over financial reporting and compliance.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

December 1, 2015

***REQUIRED SUPPLEMENTARY INFORMATION – PART I***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED**

The discussion and analysis of Thomas Edison EnergySmart Charter School's financial performance provides an overall review of the Charter School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 — *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

### **Financial Highlights**

Key financial highlights for 2015 are as follows:

- ❖ General revenues accounted for \$3,419,806 in revenue or 98% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$52,695 or 2% of total revenues of \$3,472,501.
- ❖ The Charter School had \$3,317,862 in expenses; only \$52,695 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3,419,806 were adequate to provide for these programs.
- ❖ Among governmental funds, the General Fund had \$3,293,170 in revenues and \$3,150,287 in expenditures. The General Fund's fund balance increased \$142,883. This increase was anticipated by the Board of Trustees.
- ❖ During 2015, the Charter School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Using this Comprehensive Annual Financial Report (CAFR)**

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

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

**Reporting the Charter School as a Whole**

**Statement of Net Positions and the Statement of Activities**

While this document contains the large number of funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and ask the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Statement of Net Positions and the Statement of Activities (Continued)**

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

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

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

**Fund Financial Statements**

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

**Governmental Funds**

The Charter School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Charter School's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

**Proprietary Fund**

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Charter School-wide and fund financial statements. The notes to the financial statements can be found starting on page 38 of this report.

**The Charter School as a Whole**

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

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

The Charter School's combined Net Position were \$1,453,431 for 2015 and \$1,298,792 for 2014.

**Governmental Activities**

The Charter School's total revenues were \$3,329,072 for the year ended June 30, 2015. This includes \$87,508 for 2015 of state reimbursed TPAF social security and pension contributions.

The total cost of all program and services was \$3,186,189 for 2015. Instruction comprises 52% for 2015 of Charter School expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Administration includes expenses associated with administrative and financial supervision of the Charter School.

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

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**Business-Type Activity**

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

**FOOD SERVICE**

- ❖ Expenses exceeded revenues by \$19,110 for 2015 while expenses exceeded revenues by \$9,742 for 2014.
- ❖ Charges for services represent \$39,043 for 2015 and \$30,567 for 2014. This represents amounts paid by patrons for daily food.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunch, breakfast, and snack programs were \$13,752 for 2015 and \$11,793 for 2014.

**SCHOOL STORE**

- ❖ The School Store was closed and ceased operations for the 2014-2015 school year. The School Store operations of sales of T-shirts and other items was out-sourced to an independent company.

**AFTER CARE**

- ❖ Revenues exceeded expenses by \$41,307 for 2015 and by \$27,701 for 2014.
- ❖ Charges for services represent \$90,634 for 2015 and \$17,836 for 2014 of revenue. This represents amounts paid by parents for after-care services.

**The Charter School's Funds**

All governmental funds (i.e., general fund and special revenue fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$3,329,072 for 2015 and \$2,906,679; and expenditures were \$3,186,189 for 2015 and \$2,415,354 for 2014. The net change in fund balance for the year was most significant in the general fund, an increase of \$142,883 in 2015 after an increase of \$491,325.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**The Charter School's Funds (Continued)**

As demonstrated by the various statements and schedules included on the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the revenues of the governmental funds for the fiscal year ended June 30, 2015, and the amounts and percentages of increases and decreases in relation to prior year amounts.

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2014</u>	<u>Percent of Increase/ (Decrease)</u>
Local Sources	\$ 2,860,205	85.91%	\$ 397,334	16.13%
State Sources	432,965	13.01%	72,756	20.20%
Federal Sources	35,902	1.08%	(47,697)	-57.05%
<b>Total</b>	<b><u>\$ 3,329,072</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 422,393</u></b>	

The following schedule represents a summary of the expenditures of the governmental funds for the fiscal year ended June 30, 2015, and the amounts and percentages of increases in relation to prior year amounts.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) From 2014</u>	<u>Percent of Increase/ (Decrease)</u>
Instruction	\$ 1,426,489	44.77%	\$ 331,917	30.32%
Administration	750,758	23.56%	119,971	19.02%
Support Services	908,942	28.53%	232,618	34.39%
Capital Outlay	100,000	3.14%	86,329	631.48%
<b>Total</b>	<b><u>\$ 3,186,189</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 770,835</u></b>	

Changes in expenditures were the results of varying factors.

**General Fund Budgeting Highlights**

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL  
FRANKLIN TOWNSHIP, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED  
(CONTINUED)**

**General Fund Budgeting Highlights (Continued)**

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

**Capital Assets (Net of Depreciation)**

The Charter School had \$0 invested in site improvements at the end of the fiscal year 2015.

**For the Future**

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

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

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to show the Charter School's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. Oguz Yildiz, Chief Education Officer at Thomas Edison EnergySmart Charter School, 92 Cortelyous Lane, Franklin Township, New Jersey 08873. Please visit our website at [energysmartschool.org](http://energysmartschool.org).

***BASIC FINANCIAL STATEMENTS***

## **SECTION A – CHATER SCHOOL-WIDE FINANCIAL STATEMENTS**

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Statement of Net Positions  
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,203,317	\$ 82,786	\$ 1,286,103
Interfund Receivables	13,855		13,855
Receivables	108,729	791	109,520
Prepaid Expenses	67,300		67,300
<b>Total Assets</b>	<b>1,393,201</b>	<b>83,577</b>	<b>1,476,778</b>
<b>LIABILITIES:</b>			
Interfund Payable	1,757		1,757
Accounts Payable	3,006	18,584	21,590
Noncurrent Liabilities:			
Due Within One Year			-
Due Beyond One Year			-
Net Pension Liability			-
<b>Total Liabilities</b>	<b>4,763</b>	<b>18,584</b>	<b>23,347</b>
<b>NET POSITIONS:</b>			
Unassigned	1,388,438	64,993	1,453,431
<b>Total Net Position</b>	<b>\$ 1,388,438</b>	<b>\$ 64,993</b>	<b>\$ 1,453,431</b>

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



**SECTION B – FUND FINANCIAL STATEMENTS**

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

***GOVERNMENTAL FUNDS***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

## Governmental Funds

## Balance Sheet

June 30, 2015

	General Fund	Special Revenue Fund	Total
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 1,198,554	\$ 4,763	\$ 1,203,317
Interfund Receivables	13,855		13,855
Receivables from Other Governments	108,729		108,729
Security Deposit	67,300		67,300
<b>Total Assets</b>	<u><u>\$ 1,388,438</u></u>	<u><u>\$ 4,763</u></u>	<u><u>\$ 1,393,201</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Interfund Payables	\$ -	\$ 1,757	\$ 1,757
Accounts Payable		3,006	3,006
<b>Total Liabilities</b>	<u>-</u>	<u>4,763</u>	<u>4,763</u>
<b>Fund Balances:</b>			
Unassigned:			
General Fund	1,388,438		1,388,438
<b>Total Fund Balances</b>	<u>1,388,438</u>	<u>-</u>	<u>1,388,438</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 1,388,438</u></u>	<u><u>\$ 4,763</u></u>	
<b>Net Position of Governmental Activities</b>			<u><u>\$ 1,388,438</u></u>

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Governmental Funds  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 For the Fiscal Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Total
REVENUES:			
Local Sources:			
Local Tax Levy	\$ 2,860,205	\$ -	2,860,205
Total Local Sources	2,860,205	-	2,860,205
State Sources	432,965		432,965
Federal Sources		35,902	35,902
Total Revenues	<u>3,293,170</u>	<u>35,902</u>	<u>3,329,072</u>
EXPENDITURES:			
Current:			
Instruction	1,412,573	13,916	1,426,489
Administration	750,758		750,758
Support Services	886,956	21,986	908,942
Capital Outlay	100,000		100,000
Total Expenditures	<u>3,150,287</u>	<u>35,902</u>	<u>3,186,189</u>
NET CHANGE IN FUND BALANCES	142,883	-	142,883
FUND BALANCES, JULY 1	<u>1,245,555</u>	<u>-</u>	<u>1,245,555</u>
FUND BALANCES, JUNE 30	<u>\$ 1,388,438</u>	<u>\$ -</u>	<u>\$ 1,388,438</u>

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015

Total net change in fund balances - governmental funds (B-2)	\$ 142,883
	<hr/>
Change in net position of governmental activities	<u>\$ 142,883</u>

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

***PROPRIETARY FUNDS***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Fund Net Position  
 June 30, 2015

	Business-Type Activites Enterprise Funds			Total
	Food Service	School Store	After Care	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ 82,786	\$ 82,786
Intergovernmental Accounts Receivable:				
Federal	757			757
State	34			34
Total Current Assets	791	-	82,786	83,577
Total Assets	\$ 791	\$ -	\$ 82,786	\$ 83,577
<b>LIABILITIES AND NET POSITION:</b>				
Liabilities:				
Current Liabilities:				
Accounts Payable	18,584			18,584
Total Current Liabilities	18,584	-	-	18,584
Noncurrent Liabilities:				
Bonds Payable				-
Capital Leases				-
Compensated Absences Payable				-
Total Noncurrent Liabilities	-	-	-	-
Total Liabilities	18,584	-	-	18,584
Net Position:				
Unassigned	(17,793)	-	82,786	64,993
Total Net Position	(17,793)	-	82,786	64,993
Total Liabilities and Net Position	\$ 791	\$ -	\$ 82,786	\$ 83,577

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Proprietary Fund  
 Statement of Revenues, Expenses, and Changes in Net Position  
 For the Fiscal Year Ended June 30, 2015

	Business-Type Activities Enterprise Fund			Total
	Food Service	School Store	After Care	
<b>OPERATING REVENUES:</b>				
Charges for Services:				
Daily Sales Non-reimbursable Program	\$ 38,943		\$ 90,634	\$ 129,577
Miscellaneous Revenue	100			100
<b>Total Operating Revenues</b>	<b>39,043</b>	<b>-</b>	<b>90,634</b>	<b>129,677</b>
<b>OPERATING EXPENSES:</b>				
Salaries	20,864		49,327	70,191
Management Fees	8,000			8,000
Supplies and Materials	8,350			8,350
Cost of Sales	30,751	10,441		41,192
Miscellaneous Expenses	3,940			3,940
<b>Total Operating Expenses</b>	<b>71,905</b>	<b>10,441</b>	<b>49,327</b>	<b>131,673</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(32,862)</b>	<b>(10,441)</b>	<b>41,307</b>	<b>(1,996)</b>
<b>NONOPERATING REVENUES:</b>				
State Source:				
State School Lunch Program	568			568
Federal Source:				
National School Breakfast Program	1,062			1,062
National School Lunch Program	12,122			12,122
<b>Total Nonoperating Revenues</b>	<b>13,752</b>	<b>-</b>	<b>-</b>	<b>13,752</b>
<b>CHANGE IN NET POSITION</b>	<b>(19,110)</b>	<b>(10,441)</b>	<b>41,307</b>	<b>11,756</b>
<b>TOTAL NET POSITION, JULY 1</b>	<b>(9,742)</b>	<b>6,531</b>	<b>59,943</b>	<b>56,732</b>
<b>TOTAL NET POSITION, JUNE 30</b>	<b>\$ (28,852)</b>	<b>\$ (3,910)</b>	<b>\$ 101,250</b>	<b>\$ 68,488</b>

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Proprietary Fund  
Statement of Cash Flows  
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities Enterprise Fund			
	Food Service	School Store	After Care	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$ 40,426	\$ -	\$ 90,634	\$ 131,060
Cash Payments to Suppliers and Employees	(53,321)		(49,327)	(102,648)
Net Cash Provided By (Used In) Operating Activities	(12,895)	-	41,307	28,412
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash Received From State And Federal Reimbursements	13,752			13,752
Net Cash Provided By Noncapital Financing Activities	13,752	-	-	13,752
Net Increase (Decrease) In Cash And Cash Equivalents	857	-	41,307	42,164
Net Transfers to Other Enterprise Operations	(3,669)	3,910	(141)	100
Cash And Cash Equivalents, Beginning Of Year	2,812	(3,910)	41,620	(1,098)
Cash And Cash Equivalents, End Of Year	\$ -	\$ -	\$ 82,786	\$ 41,166
<b>Reconciliation of Operating Loss to Net Cash Provided By (Used in) Operating Activities:</b>				
Operating Income (Loss) Used in Operating Activities	(32,962)	\$ (10,441)	\$ 41,307	\$ (2,096)
Change in Assets and Liabilities:				
Increase in Receivables From Other Governments	1,483			1,483
(Increase) Decrease In Inventories		10,441		10,441
Net Cash Provided By (Used In) Operating Activities	\$ (12,895)	\$ -	\$ 41,307	\$ 28,412

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

***FIDUCIARY FUNDS***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Fiduciary Net Position  
 June 30, 2015

	<u>Unemployment Compensation Insurance</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	<u>\$ 10,045</u>	<u>\$ 2,993</u>
Total Assets	<u>10,045</u>	<u><u>\$ 2,993</u></u>
<b>LIABILITIES:</b>		
Interfund Accounts Payable		\$ 2,098
Due to Student Groups		<u>895</u>
Total Liabilities	<u>-</u>	<u><u>\$ 2,993</u></u>
<b>NET POSITION:</b>		
Held in Trust for Claims	6,188	
Unreserved	<u>3,857</u>	
Total Net Position	<u><u>\$ 10,045</u></u>	

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For the Fiscal Year Ended June 30, 2015

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	\$ 3,877
Board Contributions	
	<hr/>
Total Additions	<u>3,877</u>
DEDUCTIONS:	
Payment of Claims	-
Miscellaneous Expenses	20
	<hr/>
Total Deductions	<u>20</u>
CHANGE IN NET POSITION	3,857
NET POSITION - BEGINNING OF THE YEAR	<u>6,188</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 10,045</u></u>

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

***NOTES TO THE FINANCIAL STATEMENTS***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (Statement No. 34). This Statement provides for the most significant change in financial reporting in over twenty years and was implemented for the fiscal year ending June 30, 2004. In addition, the Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*

Starting on fiscal year ended June 30, 2013, the Charter School implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Charter School's June 30, 2013 fiscal year financial statements; however, there was no effect on beginning net position/fund balance.

**A. Reporting Entity**

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

## THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Reporting Entity (Continued)

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

#### B. Basis of Presentation

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

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

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

Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the Charter School.

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

The Charter School reports the following governmental funds:

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

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (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 are legally restricted to expenditures for specified purposes.

Capital Projects Fund: Not Applicable.

Debt Service Fund: Not Applicable.

The Charter School reports the following proprietary funds:

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

Enterprise (School Store) Fund: The enterprise fund also accounts for all revenues and expenses pertaining to the school store operations, which prior to this school year, entailed the sale of T-Shirts to students. The school store operations were terminated during the 2014-2015 school year as these services were outsourced; the remaining inventory was subsequently expensed.

Additionally, the Charter School reports the following fund type:

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basis of Accounting – Measurement Focus**

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

*Charter School-wide, Proprietary, and Fiduciary Fund Financial Statements:* The financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an “accounts receivable”. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Budgets/Budgetary Control**

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

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

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

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

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets/Budgetary Control (Continued)**

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

Total Revenues & Expenditures (Budgetary Basis)		\$	35,902
Adjustments:			
Less Encumbrances at June 30, 2015			-
Plus Encumbrances at June 30, 2014			-
Total Revenues and Expenditures (GAAP Basis)			35,902

**E. Encumbrances Accounting**

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

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

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

**F. Assets, Liabilities, and Equity**

**Interfund Transactions:**

Transfers between governmental and business-type activities on the Charter School - wide statements are reported in the same manner as general revenues.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

Notes to Basic Financial Statements

June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

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

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

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

## THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Assets, Liabilities, and Equity (Continued)

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

#### Deferred Revenue:

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

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

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

#### Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

#### Fund Balance Reserves:

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Equity (Continued)**

Revenues — Exchange and Non-exchange Transactions:

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

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

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

Operating Revenues and Expenses:

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

## THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2015

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Assets, Liabilities, and Equity (Continued)

##### Allocation of Indirect Expenses:

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

##### Extraordinary and Special Items:

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

##### Management Estimates:

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

##### Accrued Salaries and Wages:

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. PENSIONS**

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

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

As a result of GASB 40, effective June 15, 2004, custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The previous

## THOMAS EDISON ENERGYSMART CHARTER SCHOOL

Notes to Basic Financial Statements

June 30, 2015

### NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 3 disclosures generally referred to as Category 1 and Category 2 deposits and investments are eliminated. However, GASB No. 40 does not change the required disclosure of authorized investments or the requirements for reporting certain repurchase agreements and reverse repurchase agreements, and it maintains, with modification, the level-of-detail disclosure requirements of GASB Statement No. 3.

#### Deposits

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

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

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

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

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

#### Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

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

**Investments (Continued)**

- 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.

As of June 30, 2015, cash and cash equivalents of the Charter School consisted of the following:

	General Fund	Special Revenue	Proprietary Fund	Fiduciary Funds	Total
Operating Account	\$ 1,198,554	\$ 4,763	82,786	\$ 23,038	\$ 1,309,141

The investments recorded in the statements have been recorded at amortized cost. In accordance with GASB 31, participating interest earning investment contracts that have a remaining maturity at the time of purchase of one year or less may be reported at amortized cost.

For those securities purchased more than one year from the maturity date, the difference between the carrying amount and market value is not material to the Charter school-wide statements. The carrying amount of the Board's cash and cash equivalents at June 30, 2015 was \$1,309,141 and the bank balance was \$1,423,551. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes.

**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, 2015, 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.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

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

**New Jersey Cash Management Fund**

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

As of June 30, 2015, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2015, consisted of accounts, intergovernmental, grants, and miscellaneous.

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

	Governmental Fund Financial Statements	Governmental Wide Financial Statements
State Aid	\$ 108,729	\$ 108,763
Federal Aid	-	757
Other	-	-
Gross Receivables	108,729	109,520
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 108,729</u>	<u>\$ 109,520</u>

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 4: INTERFUND TRANSFERS AND BALANCES**

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

The following interfund balances remained on the fund financial statements at June 30, 2015:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 13,855	\$ -
Special Revenue Fund		1,757
Proprietary Fund		
Fiduciary Fund		12,098
Total	\$ 13,855	\$ 13,855

**NOTE 5: CAPITAL ASSETS**

The school did not acquire any capital assets during the school year, and as such, there was no Capital asset activity for the fiscal year ended June 30, 2015.

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

Depreciation expense of \$0 was charged to an unallocated function.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

Notes to Basic Financial Statements

June 30, 2015

**NOTE 6: RENTAL LEASES**

The school leased space at 17 Schoolhouse Road, Somerset, New Jersey under a sharing arrangement with Central Jersey College Preparatory Charter School for one (1) year commencing with the 2012-2013 school year. The school did enter into a lease agreement for a new building located at 92 Cortelyous Lane, Franklin Township, New Jersey. The term of the lease was for one year, from September 2, 2013, to August 25, 2014. The Lease Agreement contained an option to renew for one (1) additional year. The annual rental for the first year of the new lease is \$173,000, which rental amount would remain intact for the renewal year. The rental payments amounted to \$267,500 for the year ended June 30, 2015. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2015	<u>\$ 173,000</u>
Total minimum lease payments	<u><u>\$ 173,000</u></u>

**NOTE 7: PENSION PLANS**

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

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

**Plan Description**

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

**Benefits Provided**

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

**Benefits Provided (Continued)**

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

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

**Contributions**

The contribution policy for PERS is set by N.J.S.A. 15A and required contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability.

The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

**Contributions (Continued)**

contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Charter School contributions to PERS amounted to \$ - for fiscal year 2015.

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

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

At June 30, 2015, the Charter School reported a liability of \$ - for its proportionate share of the net pension liability.

For the fiscal year ended June 30, 2014, the Charter School recognized no pension expense. At June 30, 2014, the Charter School reported no deferred outflows of resources and deferred related to pensions from the following sources.

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuations as of July 1, 2013. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15-4.40% based on age
Thereafter	3.15-5.40% based on age
Investment Rate of Return	7.90%

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension plan investments 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. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgage	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

**Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and June 30, 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and June 30, 2013, respectively 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 contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after that date in determining the total pension liability.

**Pension Plan Fiduciary Net Position**

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

**B. Teacher's Pension Annuity Fund (TPAF)**

**Pension Description**

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

**Benefit Provided**

The vesting and benefit provision are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

fully vested for their own contributions and, after three years of service credit, become vested of 2% of related interest earned on the contributions. In the case of death before retirement, member's beneficiaries are entitled to full interest credited to the member's accounts. The following represents the membership tiers for TPAF:

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

**Contributions**

The contribution policy for TPAF is set by N.J.S.A 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal year 2014 and 2013, the State's pension contribution was less than the actuarially determined amount.

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

This note discloses the portion of the Charter School's total proportionate share of the net pension liability that is associated with the Charter School. During the fiscal years ended 2015, the State of New Jersey contributed \$64,622 to the TPAF for normal pension benefits on behalf of the Charter School.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

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

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

As June 30, 2015, the State's proportionate share of the net pension liability associated with the Charter School was \$ - .

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the Charter School in the amount of \$ - and the Charter School recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 2,306,623,861	\$ -
Difference Between Expected and Actual Experience		21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	\$ 2,306,623,861	1,741,236,574
	\$ 2,306,623,861	\$ 1,763,205,593

The \$ 2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$ 1,763,205,593 reported as a deferred inflow of resources resulting from the difference between projected and actual.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

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

Fiscal Year Ending June 30,	Total
2016	\$ (130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,498)
2020	304,620,646
Thereafter	761,551,612
	\$ 543,418,266

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2013. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 200 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

**Actuarial Assumptions (Continued)**

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

**Long Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on pension investments 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. Best estimates of arithmetic real rates of return for each major asset class included in TPAF' target asset allocation as of June 30, 2014 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

**Discount Rate – TPAF**

The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and June 30, 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and June 30, 2013, respectively based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on applied to projected benefit payments after that date in determining the total pension liability.

**C. Pension Plan Fiduciary Net Position – TPAF**

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

**Defined Contribution Retirement Program (DCRP)**

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

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

The contribution policy is set by the New Jersey Statutes and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 7: PENSION PLANS (CONTINUED)**

amended by the State of New Jersey regulation. Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

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

For DCRP, the Charter School recognized pension expense of \$- for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$- for the fiscal year ended June 30, 2015.

**NOTE 8: POST-RETIREMENT BENEFITS**

P.L. 1987, c.384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2012 there were 97,661 retirees receiving post-retirement medical benefits. The cost of these benefits is funded through contributions by the state in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The state is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The state paid \$146.6 million toward Chapter 126 benefits for 16,618 eligible retired members in Fiscal Year 2012.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Basic Financial Statements  
June 30, 2015

**NOTE 9: RISK MANAGEMENT**

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

**Property and Liability Insurance**

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

**NOTE 10: FUND BALANCE APPROPRIATED**

**General Fund**

Of the \$1,388,438 fund balance total in General Fund at June 30, 2015, \$1,388,438 is unreserved and undesignated.

**NOTE 11: CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION**

For fiscal year 2015, the Charter School implemented the Governmental Accounting Standards Board (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 – an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources and expense/expenditure. As previously stated, however, the Charter School will begin making pension contributions in the following school year. Accordingly, there is no change in the net position as reported June 30, 2014.

***REQUIRED SUPPLEMENTARY INFORMATION – PART II***

***SECTION C – BUDGETARY COMPARISON SCHEDULES***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

General Fund  
Budgetary Comparison Schedule  
Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Levy Budget:					
District Equalization - Charter School Aid	\$ 2,860,205	\$ -	\$ 2,860,205	\$ 2,860,205	\$ -
Total Local Levy	2,860,205	-	2,860,205	2,860,205	-
Categorical Aid:					
"Local Levy" State Share-Charter School Aid	304,398		304,398	304,398	-
Special Education Aid	19,200		19,200	19,200	-
Categorical Security Aid	21,859		21,859	21,859	-
Total Categorical Aid	345,457	-	345,457	345,457	-
Revenues From Other Sources:					
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				87,508	87,508
Total Revenues From Other Sources	-	-	-	87,508	87,508
Total Revenues	3,205,662	-	3,205,662	3,293,170	87,508
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	970,484	56,777	1,027,261	1,027,261	-
Other Salaries for Instruction	36,050	39,070	75,120	75,120	-
Purchased Prof/Tech Services	42,724	(12,954)	29,770	29,770	-
Other Purchased Services	28,800	(1,413)	27,387	27,218	169
General Supplies	139,000	(10,683)	128,317	128,297	20
Textbooks	80,000	(11,935)	68,065	68,065	-
Miscellaneous	26,000	30,842	56,842	56,842	-
Total Instruction	1,323,058	89,704	1,412,762	1,412,573	189
Administration:					
Salaries - General Administration	225,931	(479)	225,452	225,452	-
Salaries of Secretarial/Clerical Assistants	74,160	11,188	85,348	85,141	207
Total Benefits Cost	392,836	(54,684)	338,152	248,749	89,403
Purchases Prof/Tech Services	30,850	(9,410)	21,440	20,653	787
Other Purchased Services	5,000	4,759	9,759	9,759	-
Communications/Telephone	16,500	29,168	45,668	45,668	-
Supplies and Materials	25,000	(5,000)	20,000	19,186	814
Miscellaneous Expenses	13,500	(4,267)	9,233	8,642	591
Total Administration	783,777	(28,725)	755,052	663,250	91,802

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

## THOMAS EDISON ENERGYSMART CHARTER SCHOOL

General Fund  
Budgetary Comparison Schedule  
Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
(Continued from Prior Page)					
Support Services:					
Salaries	\$ 285,903	\$ 21,868	\$ 307,771	\$ 307,420	\$ 351
Purchased Prof/Ed Services	51,900	4,483	56,383	54,908	1,475
Rental of Land and Buildings	248,000	19,500	267,500	267,500	-
Other Purchased Services	73,500	17,745	91,245	91,245	-
Transportation-Other Than To/From School	15,000	1,676	16,676	16,676	-
Insurance for Property, Liability and Fidelity	21,975	(976)	20,999	20,958	41
Supplies and Materials	19,000	187	19,187	18,948	239
Energy Costs (Heat and Electricity)	80,000	29,302	109,302	109,301	1
Total Support Services	795,278	93,785	889,063	886,956	2,107
Capital Outlay:					
Instructional Equipment					
Miscellaneous Expenses	15,000	85,000	100,000	100,000	-
Total Capital Outlay	15,000	85,000	100,000	100,000	-
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	87,508	(87,508)
Total Expenditures	2,917,113	239,764	3,156,877	3,150,287	6,590
Excess (Deficiency) of Revenues Over (Under) Expenditures	288,549	(239,764)	48,785	142,883	94,098
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	288,549	(239,764)	48,785	142,883	94,098
FUND BALANCE, JULY 1	1,245,555	-	1,245,555	1,245,555	-
FUND BALANCE, JUNE 30	\$ 1,534,104	\$ (239,764)	\$ 1,294,340	\$ 1,388,438	\$ 94,098
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures Budgeted Fund Balance	\$ 1,534,104	\$ (239,764)	\$ 1,294,340	\$ 1,388,438	\$ 94,098
Total	\$ 1,534,104	\$ (239,764)	\$ 1,294,340	\$ 1,388,438	\$ 94,098

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Special Revenue Fund  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUE SOURCES:</b>					
Federal	\$ 35,902	\$ -	\$ 35,902	\$ 35,902	\$ -
Total Revenues	35,902	-	35,902	35,902	-
<b>EXPENDITURES:</b>					
Instruction:					
Salaries	13,916		13,916	13,916	-
Total Instruction	13,916	-	13,916	13,916	-
Support Services:					
Personal Services - Employee Benefits	7,408		7,408	7,408	-
Total Support Services	21,986	-	21,986	21,986	-
Total Expenditures	35,902	-	35,902	35,902	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

***NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION***

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Required Supplementary Information  
 Budgetary Comparison Schedule  
 Note to RSI  
 Fiscal Year Ended June 30, 2015

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	[C-1] \$ 3,293,170	[C-2] \$ 35,902
 Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized	_____	-
 Total revenues as reports on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2] \$ 3,293,170	[B-2] \$ 35,902
 <b>Uses/Outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 3,150,287	[C-2] \$ 35,902
 Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.	_____	-
 Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	[B-2] \$ 3,150,287	[B-2] \$ 35,902

***OTHER SUPPLEMENTARY INFORMATION***

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

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**

E-1

Special Revenue Fund

Combining Schedule of Program Revenues and Expenditures - Budgetary Basis  
For the Fiscal Year Ended June 30, 2015

	I.D.E.A. Part B	Grand Total
<b>REVENUE SOURCES:</b>		
Federal	\$ 35,902	\$ 35,902
<b>Total Revenues</b>	<u>35,902</u>	<u>35,902</u>
<b>EXPENDITURES:</b>		
Instruction:		
Salaries	13,916	13,916
<b>Total Instruction</b>	<u>13,916</u>	<u>13,916</u>
Support Services:		
Salaries	14,578	14,578
Personal Services - Employee Benefits	7,408	7,408
<b>Total Support Services</b>	<u>21,986</u>	<u>21,986</u>
<b>Total Expenditures</b>	<u>35,902</u>	<u>35,902</u>
<b>Total Outflows</b>	<u>35,902</u>	<u>35,902</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>

**SECTION G – PROPRIETARY FUNDS  
DETAIL STATEMENTS**

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

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

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

## **SECTION H – FIDUCIARY FUNDS**

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

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

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

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

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Combining Statement of Fiduciary Net Position  
 As of June 30, 2015

	Trust	Agency			Total Agency Fund
	Unemployment Compensation Insurance	Payroll Agency	Net Payroll	Student Activities	
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 10,045	\$ 2,026	\$ 73	\$ 895	\$ 2,994
<b>Total Assets</b>	<u>10,045</u>	<u>\$ 2,026</u>	<u>\$ 73</u>	<u>\$ 895</u>	<u>\$ 2,994</u>
<b>LIABILITIES:</b>					
Interfund Accounts Payable		\$ 2,025	\$ 73	\$ -	\$ 2,098
Payroll Deductions and Withholdings Due to Student Groups		1		895	1 895
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 2,026</u>	<u>\$ 73</u>	<u>\$ 895</u>	<u>\$ 2,994</u>
<b>NET POSITION:</b>					
Held in Trust for Claims Unreserved	6,188 <u>3,857</u>				
<b>Total Net Position</b>	<u>\$ 10,045</u>				

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Statement of Changes in Fiduciary Net Position  
 For the Fiscal Year Ended June 30, 2015

	<u>Unemployment Compensation Insurance</u>
ADDITIONS:	
Employee Contributions	<u>\$ 3,877</u>
Total Additions	<u>3,877</u>
CHANGE IN NET POSITION	3,857
NET POSITION - BEGINNING OF THE YEAR	<u>6,188</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 10,045</u></u>

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Student Activity Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2015</u>
School Activities	\$ 90	\$ 12,931	\$ 12,126	\$ 895
Total	<u>\$ 90</u>	<u>\$ 12,931</u>	<u>\$ 12,126</u>	<u>\$ 895</u>

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Fiduciary Funds  
 Payroll Agency Fund  
 Schedule of Receipts and Disbursements  
 For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Cash Additions	Cash Deletions	Balance June 30, 2015
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 84	644,697	642,756	\$ 2,025
<b>Total Assets</b>	<b>\$ 84</b>	<b>\$ 644,697</b>	<b>\$ 642,756</b>	<b>\$ 2,025</b>
<b>LIABILITIES:</b>				
Interfund Accounts Payable	\$ 84	646,722	644,781	\$ 2,025
<b>Total Liabilities</b>	<b>\$ 84</b>	<b>\$ 646,722</b>	<b>\$ 644,781</b>	<b>\$ 2,025</b>

**STATISTICAL SECTION (UNAUDITED)**

***Thomas Edison EnergySmart Charter School has been in operation for (3) three years. GASB requires that ten years of statistical data be presented. State law usually grants charters for less than ten years. Therefore, only statistical data for (3) three years is available and has been presented. Each year thereafter, an additional year's data will be included until ten years of data is presented.***

## **Contents**

### **Financial Trends**

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

### **Revenue Capacity (Not Applicable to Charter School)**

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

### **Debt Capacity**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

***FINANCIAL TRENDS***

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

	Fiscal Year Ending June 30,		
	2015	2014	2013
Governmental Activities			
Unrestricted	1,388,438	1,245,555	754,230
Total Governmental Activities Net Position	<u>\$ 1,388,438</u>	<u>\$ 1,245,555</u>	<u>\$ 754,230</u>
Business-Type Activities			
Unrestricted	\$ 64,993	\$ 53,237	\$ 11,812
Total Business-Type Activities Net Position	<u>\$ 64,993</u>	<u>\$ 53,237</u>	<u>\$ 11,812</u>
Charter School-wide			
Unrestricted	1,453,431	1,298,792	766,042
Total Charter School-wide Net Position	<u>\$ 1,453,431</u>	<u>\$ 1,298,792</u>	<u>\$ 766,042</u>

**Source: Comprehensive Annual Financial Report**

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

	Fiscal Year Ending June 30,		
	2015	2014	2013
<b>Expenses</b>			
Governmental Activities:			
Instruction	\$ 1,641,953	\$ 1,292,254	\$ 1,152,807
Administration	475,208	372,854	338,790
Support Services	969,028	736,575	547,699
Total Governmental Activities Expenses	<u>3,186,189</u>	<u>2,415,354</u>	<u>2,039,296</u>
Business-Type Activities:			
Food Service and School Store	131,673.00	52,102	58,520
Total Business-Type Activities Expenses	<u>131,673</u>	<u>52,102</u>	<u>58,520</u>
Total Charter School Expenses	<u>\$ 3,317,862</u>	<u>\$ 2,467,456</u>	<u>\$ 2,097,816</u>
<b>Program Revenues</b>			
Business-Type Activities:			
Charges for Services	52,695	42,360	37,330
Total Business-Type Activities Expenses	<u>52,695</u>	<u>42,360</u>	<u>37,330</u>
Total Charter School Program Revenues	<u>\$ 52,695</u>	<u>\$ 42,360</u>	<u>\$ 37,330</u>
<b>Net (Expense)/Revenue</b>			
Governmental Activities	\$ (3,186,189)	\$ (2,415,354)	\$ (2,039,296)
Business-Type Activities	<u>(78,978)</u>	<u>(9,742)</u>	<u>(21,190)</u>
Total Charter School-wide Net Expense	<u>\$ (3,265,167)</u>	<u>\$ (2,425,096)</u>	<u>\$ (2,060,486)</u>
<b>General Revenues and Other Changes in Net Assets/Position</b>			
Governmental Activities:			
Federal and State Aid Not Restricted	468,867	443,808	872,898
Miscellaneous Income	2,860,205	2,462,871	1,920,628
Total Governmental Activities	<u>3,329,072</u>	<u>2,906,679</u>	<u>2,793,526</u>
Business-Type Activities:			
Total Business-Type Activities	<u>90,734</u>	<u>77,779</u>	<u>82,545</u>
Total Charter School-wide	<u>\$ 3,419,806</u>	<u>\$ 2,984,458</u>	<u>\$ 2,876,071</u>
<b>Change in Net Assets/Position</b>			
Governmental Activities	\$ 142,883	\$ 491,325	\$ 754,230
Business-Type Activities	<u>11,756</u>	<u>68,037</u>	<u>61,355</u>
Total Charter School	<u>\$ 154,639</u>	<u>\$ 559,362</u>	<u>\$ 815,585</u>

**Source: Comprehensive Annual Financial Report**

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

	Fiscal Year Ending June 30,		
	2015	2014	2013
General Fund			
Restricted	\$ -	\$ -	\$ -
Unassigned	1,388,438	1,245,555	754,230
Total General Fund	<u>\$ 1,388,438</u>	<u>\$ 1,245,555</u>	<u>\$ 754,230</u>
All Other Governmental Funds			
Restricted	\$ -	\$ -	\$ -
Unassigned			
Special Revenue Fund	-	-	-
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Source: Comprehensive Annual Financial Report**

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

Fiscal Year Ending June 30,	2015	2014	2013
<b>Revenues:</b>			
Local Sources:			
Local Tax Levy	\$ 2,860,205	\$ 2,462,871	\$ 1,920,628
State Sources	432,965	360,209	371,489
Federal Sources	35,902	83,599	501,409
Total Revenues	<u>3,329,072</u>	<u>2,906,679</u>	<u>2,793,526</u>
<b>Expenditures:</b>			
Instruction	1,426,489	1,094,572	1,054,206
Administration	750,758	630,787	466,742
Support Services	908,942	676,324	518,348
Total Expenditures	<u>3,186,189</u>	<u>2,415,354</u>	<u>2,039,296</u>
Net Change in Fund Balance	<u>\$ 142,883</u>	<u>\$ 491,325</u>	<u>\$ 754,230</u>

**Source: Comprehensive Annual Financial Report**

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

Fiscal Year Ending June 30,	Rentals	Donations	Sale of Capital Assets	Sale and Leaseback of Textbooks	Prior Year Refunds	Miscellaneous Revenue	Annual Total
2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	-	-	-	-	-	-	-
2013	-	-	-	-	-	-	-

**Source: Charter School records**

***OPERATING INFORMATION***

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

Function	2015	2014	2013
Instruction	25	17	14
Administrative	4	4	3
Support Services	9	6	6
Food Service	-	-	-
Total	<u>38</u>	<u>27</u>	<u>23</u>

**Source:** Charter School Personal Records

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Operating Statistics  
 Last Three Years

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	Percent Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2015	294	\$ 3,086,189	\$ 10,497	10.14%	25	N/A	12:1	N/A	293.5	288	16.28%	98.13%
2014	252	2,401,683	\$ 9,530	-1.86%	14	N/A	18:1	N/A	252.4	246	21.35%	97.46%
2013	210	2,039,296	\$ 9,711	0.00%	14	N/A	15:1	N/A	208	205	0.00%	98.56%

**Sources:** Charter School records

**Note:** Enrollment based on annual final Charter School count.

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
School Building Information  
Last Three Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b><u>Charter School Building</u></b>			
<b><u>Middle School</u></b>			
Square Feet	20,000	12,000	10,000
Capacity (students)	294	252	210
Enrollment	294	252	210

Number of Schools at June 30, 2015  
Middle School = 1

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Insurance Schedule  
 June 30, 2015

<u>COVERAGE</u>	<u>LIMITS</u>	<u>SUMMARY</u>
<b>Hanover Insurance Company</b>		
<u>Property Coverage</u>		
Property Contents - Replacement Cost Values	\$412,000	Policy #ZHY9731269
Legal Liability Personal Property	\$100,000	Annual Premium (PKG) - \$2,670.00 \$1,000 Deductible
<u>Commercial Umbrella Policy</u>		
Limit of Liability	\$4,000,000	Policy #UHY9735298
Each Occurrence	\$4,000,000	Deductible - NIL
Personal & Advertising Injury	\$4,000,000	Annual Premium - \$4,597.34
<u>Comprehensive General Liability Coverage</u>		
General Aggregate Limit	\$3,000,000	Policy #ZHY9731269
Products & Completed Ops (Inc. in General)	\$3,000,000	Annual Premium - \$6,791.00
Personal Injury & Advertising Injury	\$1,000,000	
Each Occurrence Limit	\$1,000,000	
Damage to Premises Rented to you	\$100,000	
Medical Expense Limit	\$15,000	
<u>Automobile</u>		
Liability Symbol 8&9 Combined Single Limit	\$1,000,000	Policy #ZHY9731269 Annual Premium - \$490.00
<b>The Hartford Insurance Company</b>		
<u>New Jersey Workers Compensation Coverage</u>		
Bodily Injury Each Accident	\$1,000,000	Policy #30 WBC CR2072
Bodily Injury by Disease Aggregate	\$1,000,000	Annual Premium - \$30,365.00
Bodily Injury by Disease Each Employee	\$1,000,000	
<u>Supplemental Workers Compensation</u>		
Maximum per week	\$2,000	Supp WC - \$1,000
Number of weeks		Policy # PB165
		51
<b>Hanover Insurance Company</b>		
<u>Board of Education - Directors &amp; Officers Liability</u>		
Legal Liability, Each Claim	\$1,000,000	Policy #ZHY9731269
Legal Liability, Aggregate	\$3,000,000	Annual Premium - \$1,753.00 \$5,000 Deductible \$5,000 Deductible
<b>Hanover Bond #BOYA566510</b>		
		Annual Premium - \$600.00
<u>School Business Administrator/Board Secretary</u>		
	\$150,000	
<b>Hanover Insurance Company</b>		
Student Accident	\$1,000,000	Policy #PB165
Voluntary Students	\$500,000	Annual Premium - \$1,504.00
Inland Marine		Policy #ZHY9731269 Annual Premium - \$501.00

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
 Charter School Performance Framework Financial Indicators  
 Near Term and Sustainability Indicators  
 Last Three Fiscal Years

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	\$ 704,593	\$ 1,168,647	\$ 1,286,103	Audit: Exhibit A-1
Current Assets	185,925	164,152	190,675	Audit: Exhibit A-1
Total Assets	890,518	1,332,799	1,476,778	Audit: Exhibit A-1
Current Liabilities	124,476	34,007	23,347	Audit: Exhibit A-1
Total Liabilities	124,476	34,007	23,347	Audit: Exhibit A-1
Net Assets	766,042	1,298,792	1,453,431	Audit: Exhibit A-1
Total Revenue	2,913,401	3,026,818	3,472,501	Audit: Exhibit A-2
Total Expenses	2,126,094	2,515,476	3,317,862	Audit: Exhibit A-2
Change in Net Assets	787,307	511,342	154,639	Audit: Exhibit A-2

Final Average Daily Enrollment	0.00	208.00	252	DOE Enrollment Reports
March 30th Budgeted Enrollment	0	210	250	Charter School Budget

RATIOS ANALYSIS...				
Near Term Indicators	2013	2014	2015	3 YR CUM
1a. Current Ratio	1.49	4.83	8.17	Source: Current Assets/Current Liabilities
1b. Unrestricted Days Cash	120.96	169.57	141.48	Cash/(Total Expenses/365)
1c. Enrollment Variance	0%	99%	101%	Average Daily Enrollment/Budgeted Enrollment
1d.* Default	N/A	N/A	N/A	Audit
<b>Sustainability Indicators</b>				
2a. Total Margin	27%	17%	4%	Change in Net Assets/Total Revenue
2b. Debt to Asset	0.14	0.03	0.02	Total Liabilities/Total Assets
2c.** Cash Flow	\$ 704,593	\$ 464,054	\$ 117,456	Net change in cash flow from prior years
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)

\* Is school in default of loan covenant(s) and/or is delinquent with debt service payments? Yes or No  
 \*\* 2015 = 2015 Cash - 2014 Cash; 2014 = 2014 Cash - 2013 Cash; 2013 = 2013 Cash - 2012 Cash

Refer questions to [charterfinance@doe.state.nj.us](mailto:charterfinance@doe.state.nj.us)

***SINGLE AUDIT SECTION***

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Thomas Edison EnergySmart Charter School (Charter School), in the County of Somerset, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, as listed in the table of contents, and have issued our report thereon dated December 1, 2015.

**Internal Control over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

We also noted other matters that we reported to the Board of Trustees of the Thomas Edison EnergySmart Charter School in a separate report entitled, Auditor's Management Report on Administrative Findings dated December 1, 2015.

### **Purpose of This Report**

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



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

December 1, 2015

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF  
STATE FINANCIAL ASSISTANCE AS REQUIRED BY OMB NEW JERSEY  
OMB CIRCULAR LETTER 04-04**

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

***Report on Compliance for Each Major State Program***

We have audited the Thomas Edison EnergySmart Charter School's compliance, with the types of compliance requirements described in the New Jersey OMB Circular 04-04 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2015. The Charter School's major state programs are identified in the Summary of Auditor's Results Section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and New Jersey OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants and State Aid. Those standards, OMB Circular A-133 and New

Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major State Program***

In our opinion, the Thomas Edison EnergySmart Charter School, in the County of Somerset, State of New Jersey, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

### **Report on Internal Control over Compliance**

Management of Thomas Edison EnergySmart Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

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

a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

***REPORT ON SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB CIRCULAR 04-04***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Thomas Edison EnergySmart Charter School, as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements. We issued our report thereon dated December 1, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by the OMB Circular A-133 and New Jersey OMB Circular 04-04 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibilities of management and was derived from and related directly to the underlying accounting and other records used to prepare basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results that the testing based on the requirements of OMB A-133 and NJOMB 04-04. Accordingly, this report is not suitable for any other purpose.



Richard M. Barre  
Licensed Public School Accountant  
No. CS-01181  
Barre & Company, CPA's

December 1, ,2015

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2014	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment Of Prior Years' Balances	Balance at June 30, 2015	
				From	To							Accounts Receivable	Deferred Revenue
<b>U.S. Department of Education</b>													
<b>Passed-through State Department of Education</b>													
Special Revenue Fund:													
Individuals with Disabilities Cluster:													
I.D.E.A. Part B Basic	84.027	IDEA - 6081 - 15	35,902	9/1/14	8/31/15	(26,393)	-	35,902	(35,902)	-	-	-	-
I.D.E.A. Part B Basic Carryover	84.027	IDEA - 6081 - 14	26,393	9/1/13	8/31/14	(26,393)	-	26,393	(35,902)	-	-	-	-
Total Individuals with Disabilities Cluster								62,295	(71,804)	-	-	-	-
Total Special Revenue Fund						(26,393)	-	62,295	(35,902)	-	-	-	-
<b>U.S. Department of Agriculture</b>													
<b>Passed-through State Department of Agriculture</b>													
Enterprise Fund:													
Food Distribution Program	10.550	N/A	-	7/1/14	6/30/15								
School Breakfast Program	10.553	N/A	1,070	7/1/14	6/30/15	(62)	1,030	(1,070)	(40)				
National School Lunch Program	10.555	N/A	12,114	7/1/14	6/30/15	(2,109)	11,397	(12,114)	(717)				
Total Enterprise Fund			10,835	7/1/13	6/30/14	(2,171)	14,588	(13,184)	(757)				
Sub-Total Federal Financial Awards						(28,564)		76,883	(49,066)				

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

**THOMAS EDISON ENERGY SMART CHARTER SCHOOL**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended June 30, 2015  
Initial Year

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2014			Balance at June 30, 2015			MEMO	Cumulative Total Expenditures	Diff			
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/(Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years Balance				(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor
<b>State Department of Education</b>																
General Fund:																
Local Levy State Share - Charter School Aid	15-495-034-5120-071	\$ 2,860,205	7/1/14	6/30/15	\$ -	\$ -	\$ -	\$ 2,860,205	\$ (2,860,205)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,860,205	
Equization Aid	15-495-034-5120-078	304,398	7/1/14	6/30/15	-	-	304,398	304,398	(304,398)	-	-	-	-	-	304,398	
Special Education Aid	15-495-034-5120-089	19,200	7/1/14	6/30/15	-	-	19,200	19,200	(19,200)	-	-	-	-	-	19,200	
Security Aid	15-495-034-5120-094	67,508	7/1/14	6/30/15	-	-	67,508	67,508	(67,508)	-	-	-	-	-	67,508	
Reimbursed TPAF - Social Security	15-495-034-5095-002	87,508	7/1/14	6/30/15	(3,274)	-	83,277	83,277	(87,508)	(4,231)	-	-	4,231	-	87,508	
Reimbursed TPAF - Social Security	14-495-034-5095-002	66,809	7/1/13	6/30/14	-	-	3,274	-	-	-	-	-	-	-	66,809	
Total General Fund					(3,274)	-	3,292,213	(3,293,170)		(4,231)	-	-	4,231	-	3,293,170	
<b>State Department of Agriculture</b>																
Enterprise Fund:																
National School Lunch Program (State Share)	15-100-010-3350-023	568	7/1/14	6/30/15	(103)	-	534	534	FALSE	(34)	-	-	34	-	568	568
National School Lunch Program (State Share)	14-100-010-3350-023	487	7/1/13	6/30/14	-	-	103	-	-	-	-	-	-	-	487	
Total Enterprise Fund					(103)	-	637	637		(34)	-	-	34	-	568	568
Total State Financial Assistance					(3,377)	\$ -	\$ 3,292,850	\$ (3,293,170)		(4,265)	\$ -	\$ -	\$ 4,265	\$ -	\$ 3,293,738	568
<b>State Financial Assistance Not Subject To Major Program Determination:</b>																
Reimbursed TPAF - Social Security	15-495-034-5095-002	87,508	7/1/14	6/30/15	-	-	83,277	83,277	(87,508)	(4,231)	-	-	4,231	-	87,508	
Total State Financial Assistance Subject To Single Audit					(3,377)	-	3,209,573	(3,205,682)		(34)	-	-	34	-	3,206,230	

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2015

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**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB's Circular 04-04, *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 presentation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2015

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**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)**

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

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	3,293,170	\$ 3,293,170
Special Revenue Fund	35,902	-	35,902
Food Service Fund	13,184	568	13,752
Total Awards & Financial Assistance	<u>\$ 49,086</u>	<u>\$ 3,293,738</u>	<u>\$ 3,342,824</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. FEDERAL AND STATE LOAN OUTSTANDING**

Thomas Edison EnergySmart Charter School has no loan balances outstanding at June 30, 2015.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Notes to the Schedules of Expenditures  
Of Awards and Financial Assistance  
June 30, 2015

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**NOTE 6. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

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

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

**NOTE 8. SCHOOLWIDE PROGRAM FUNDS**

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

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

**Section I – Summary of Auditor’s Results**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:		
1) Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Type of auditors’ report issued on compliance for major programs		<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Identification of major federal programs:		

None

**CFDA Number(s)**

**Name of Federal Program or Cluster**

Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

**Section I – Summary of Auditor’s Results (Continued)**

**State Awards**

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

Internal control over major programs:

    1) Material weakness(es) identified?  Yes  No

    2) Significant deficiencies identified that are not considered to be material weaknesses?  Yes  None Reported

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04?  Yes  No

Identification of major state programs:

<b>GMIS Number(s)</b>	<b>Name of State Program</b>
<u>15-495-034-5120-071</u>	<u>Local Levy – State Share</u>
<u>15-495-034-5120-078</u>	<u>Equalization Aid</u>

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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***Section II – Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting in a Circular A-133 audit. See paragraphs 13.15 and 13.35.

**Finding**

There were no matters reported.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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

This section identifies audit findings required to be reported by section .510(a) of Circular A-133 and NJOMB Circular Letter 04-04.

**FEDERAL AWARDS**

**Findings**

There were no matters reported.

**STATE AWARDS**

**Findings**

There were no matters reported.

**THOMAS EDISON ENERGYSMART CHARTER SCHOOL**  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2015

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**STATUS OF PRIOR YEAR FINDINGS**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 (.315(a)(b)) and NJOMB's Circular 04-04.

**Findings**

This being the first year of operations for the charter school, there are no matters to report.