



Princeton Charter School  
Grades K-8  
Princeton, NJ 08540  
(Established 1997)

Princeton Charter School Board of Trustees

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

Inspire, Challenge, Support, Accomplish

**Comprehensive Annual Financial Report**  
**of the**  
**PRINCETON CHARTER SCHOOL**  
**Princeton, New Jersey**  
**For the Fiscal Year Ended June 30, 2015**

**Prepared by**  
**PRINCETON CHARTER SCHOOL**  
**Board of Trustees**

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# Princeton Charter School

100 Bunn Drive  
Princeton, NJ 08540  
609-924-0575

December 17, 2015

Honorable President,  
Members of the Board of Trustees,  
and Constituents  
Princeton Charter School  
Princeton, New Jersey, 08540

Dear Board Members and Constituents:

The Comprehensive Annual Financial Report (“CAFR”) of Princeton Charter School (the “School” or “PCS”) for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (the “Board”). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the School. All disclosures necessary to enable the reader to gain an understanding of the School’s financial activities have been included.

The CAFR is presented in four (4) sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes the transmittal letter (designed to complement Management’s Discussion and Analysis and should be read in conjunction with it), the School’s organizational chart, a roster of officials, and a list of consultants and advisors. The Financial section includes the Independent Auditors’ Report, Management’s Discussion and Analysis (immediately following the independent auditors’ report) and the basic financial statements, required supplementary information and other supplementary information, as well as the auditors’ report therein. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis and is unaudited. The School is required to undergo an annual audit in conformity with the provisions of the New Jersey OMB Circular Letter 04-04 OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments.” Information related to this audit, including auditors’ reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the Single Audit section of this report.

## **1. Profile of Princeton Charter School**

Princeton Charter School is a K-8 independent public school, operated by a Board of Trustees under a charter granted by the Commissioner of Education of the State of New Jersey. PCS opened in 1997 as a fourth grade through sixth grade elementary school. The School currently operates a kindergarten through eighth grade school with a diverse student population of 348 students and over 40 staff members. Princeton Charter School’s charter was renewed in February of 2011 for a five-year term; this was PCS’s third renewal. The Acting Commissioner, in granting PCS’s renewal, praised PCS for its academic accomplishments and student success. PCS’s next renewal application process will take place in the 2015-2016 school year.

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There are three (3) school buildings on PCS's campus, all of which are in good shape. The buildings are as follows: K-4 building (lower school) built in 2003, 5-8 building (upper school) built in 1963 and renovated into a school building in 1998, and the campus center, built in 2010, which houses a gym, 3 classrooms and a black box theatre. There is also a business office, known as the Marsee Center, located on PCS's campus.

## **2. Reporting Entity and Its Services**

Princeton Charter School is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board ("GASB"). All funds and the school-wide financial statements of Princeton Charter School are included in this report. Princeton Charter School constitutes the School's reporting entity.

The School provides a full range of educational services appropriate to grades K through 8. These services include regular education as well as special education for students with special needs. The School completed the 2014-2015 fiscal year with an average daily enrollment of 347 students, which is an all-time high. The following chart details the changes in average daily enrollment for the School over the past six years:

Fiscal Year	Student Enrollment	Percent of Change
2014-2015	347	1.05%
2013-2014	344	0.00%
2012-2013	344	0.00%
2011-2012	344	0.00%
2010-2011	344	0.00%
2009-2010	344	8.18%

## **3. Enrollment Plan**

The PCS charter states: "Princeton Charter School will seek a diverse student body and offer those students both excellence and equity in education." To meet this goal, PCS has an extensive recruitment program consisting of mailings to parents, open houses at the school, outreach to local nursery schools, advertisements in local newspapers and on community bulletin boards, and availability of applications and information at community sites and on the PCS web site.

Lottery: The dates and application information is posted on our website in English and in Spanish, and listed in advertisements in local papers. All students who are residents of Princeton and of school age, wishing to enroll at Princeton Charter School are assigned a number and entered into the lottery. Numbers are randomly selected and students are assigned a space if it is available. If no spaces are available, they are assigned a space in the order drawn on the waitlist. Siblings of older students are given preference if a space is available or placed on the waitlist.

## **4. Enrollment Outlook**

Princeton Charter School has completed its eighteenth year of operation. The School's charter allows for 348 total students and there is currently no plan for enrollment expansion. PCS held its annual random lottery, as required by the New Jersey Department of Education, on January 13, 2014. For the 2014-2015 school year PCS received 279 student applicants which came from a diverse background within the Princeton community. In 2014-2015 PCS welcomed over 60 new students, including 19 kindergartners and 24 third-graders. Student turnaround has been minimal averaging four (4) per year who left PCS mainly because of parent relocation or parent sabbaticals. PCS maintains an extensive wait list, to replace students who may leave PCS. As of June 30, 2015 there are 129 students on the wait list at various grade levels.

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## **5. Economic Condition and Outlook**

Princeton Charter School is located with the municipality of Princeton and the financial resources it receives flow through the Princeton Public School District (district of residence) on a per-pupil basis. The economy in Princeton is flat and home properties are generally holding their value. Most of the undeveloped land in Princeton is held by Princeton University. It is believed there may be some commercial and residential growth potential within the municipality. Princeton Charter School's current per-pupil funding is flat, based on the implications of the School Funding Reform Act of 2008. Princeton Charter School's buildings are in good condition and there are not any major building renovations anticipated in the near future.

### Major Initiatives

The Strategic Plan, which was developed during the 2012-2013 school year, continued to drive the planning an implementation of a variety of programs, primarily addressing technology, clubs, and the school arts program.

Growth in our use of technology was a main focal point last year. A technology director was hired to oversee the changes in our computing environment. The School added a significant number of student computing devices needed for instruction and testing, selecting Chrome books as the best device for its purposes. The School acquired over 150 devices in 2014-15. Tech initiatives were aimed in large part in preparation for the new, required, statewide tests developed by the Partnership for Assessment of Readiness for College and Careers ("PARCC"). In addition, it replaced over 30 aging desktop computers and began the process of replacing the classroom projectors that were beginning to fail, 12 in 2014-15.

The School also added document cameras in over 14 classrooms. In addition, the School implemented a new on-line learning management system ("LMS") called Schoology and rolled out Google Applications for Education ("GAPE").

Emerging from the Strategic plan, the arts program was revamped for 2014-15, with the addition of a drama component in grades 5-8. A part time drama teacher was hired and students were given elective choices in grades 7 and 8 in the arts.

Club activities continued to grow in 2014-15 with the addition of a jazz band, and the prep orchestra to the existing orchestra for grades 5-8.

The Board, as part of its strategic planning, set high priority on functionality of the playground, the development and maintenance of the sports fields and the outdoor areas of the campus. The Board hired a landscape architect and site engineer to assist in this planning process, developing a plan for the campus.

The School continually balances the various needs of the School with the available resources to accomplish our goals given the flat per-pupil funding that we have experienced since 2008.

### Academic Performance

Princeton Charter School assesses its performance on the NJASK tests and starting this year the PARCC tests results in mathematics and language arts. Based on past history, we continue to be satisfied with our overall school performance in language arts and mathematics. The Performance Framework Report from the Office of Charter Schools in March 2015 verifies our students' strong achievements on the NJASK tests administered at the end of the year, 2014. (Test results are available in mid-year so the most recent reports from the DOE are for the 2014 tests.) We are designated as a Tier 1 school (highest) earning that rank for all three years that the Tier Ranking System has been in place.

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Of the nine (9) indicator targets, the School achieved the highest possible indicator ranking in eight (8) areas:

LAL: % passing	Exceeds
LAL: % Advanced Proficient	Exceeds
Math: % passing	Exceeds
Math % Advanced Proficient	Exceeds
LAL: % passing compared to district for schools with >or = 75% ranking)	Meets (Highest possible
Math: % passing compared to district for schools with >or = 75% ranking)	Meets (Highest possible
LAL: Median Student Growth Percentile	Exceeds
Math: Median Student Growth Percentile	Meets
Peer Percentile for Academic Achievement	Exceeds

Initial reporting of our PARCC Scores from 2014-15 indicate a strong performance on the new tests, far exceeding the state averages at all grade levels, more than doubling the state passing rate for Geometry and Algebra I.

Princeton Charter School is proud of its strong World Languages program. We participate in the National French Contest as a way to assess student performance in world language acquisition. In 2015, the National French Contest, "Le Grand Concours," introduced a Platinum level medal. Of the 20,768 students across the country and abroad in grades 7 - 12 who took the exam, 142 students met the requirements for the Platinum medal, i.e. 142/20,768 students. Of those 142 students in grades 7 - 12, four (4) were from Princeton Charter School: three seventh grade students and one eighth grade student. This would be an enormous accomplishment in a large school district, but our student numbers are comparatively small: Our four winners came from a pool of 59 seventh and eighth graders enrolled in French.

## **6. Educational Program**

All charter schools are required to adapt and implement their curriculum to align with the Common Core State Standards.

Princeton Charter School continues to work to ensure that its curriculum is aligned to the Common Core State Standards. Over the past three years, the faculty and administration have met in departmental small learning communities ("SLCs") in order to map and align the curriculum to the Common Core. We will continue this work in our design of learning activities and assessments that promote the higher order thinking that is expected in the Common Core.

Princeton Charter School is committed to a thorough and rigorous education that emphasizes mastery of subject area content. Students develop their skills in writing and reasoning in language arts, mathematics, history and science while also learning content knowledge across all of these subjects. In addition, Princeton Charter School is committed to having all students learn to speak a second language. Instruction in French and Spanish begins early: kindergarten for French and third grade for Spanish. Instruction in world language also meets frequently, 5 times a week for 45 minutes starting in first grade for French and third grade for Spanish. As a result of this commitment to world language acquisition, our performance on the National French exam and the National Spanish exam has been consistently outstanding.

Princeton Charter also has many after school clubs and programs that enhance the curriculum of the School.

## **7. Internal Accounting Controls**

The management of the School is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State awards, the School is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the School's management.

As part of the School's Single Audit described earlier and required by the State of New Jersey (the School receives over \$500,000 in State of New Jersey aid), tests are made to determine the adequacy of internal controls, including the portion related to state financial assistance, as well as to determine that the School has complied with applicable laws, regulations, contracts, and grants.

## **8. Budgetary Controls**

In addition to internal accounting controls, the School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. The New Jersey Department of Education defines the budget criteria which is a program budget. The program budget is comprised of (1) equalization aid, (2) special education categorical aid, (3) security aid, and (4) state adjustment aid.

The School Funding Reform Act of 2008 states that the school district of residence shall pay directly to the charter school for each student enrolled in the charter school who resides in the district an amount equal to 90% of the school district of residence's previous year tax levy adjusted by the most recent CPI. Equalization aid is calculated on a weighted per-pupil basis on the appropriate portion of the tax levy base. Special education categorical aid, which is comprised of both speech and special education aid, is calculated based on the actual number of charter school speech and special education students as percentage of the school district of residence's total number of students on the appropriate portion of the tax levy for speech and special education.

The New Jersey Department of Education requires charter schools to submit an annual budget to the Office of Charter School Finance by March 30th of each year, for the following school year, based on the above funding guidelines. The components of this annual budget are the financial report, otherwise known as the Line 108 report, a cash flow statement and a budget narrative. The budget must be approved by the Board of Trustees, prior to submission. Annual appropriated budgets are adopted for the general fund and special revenue fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the Financial section. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as School expenditures. These amounts are offset by related revenues and, as such, do not represent over-expenditures in this budget.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance.

Honorable President,  
Members of the Board of Trustees,  
and Constituents  
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December 17, 2015

**9. Accounting Systems and Reports**

The School's accounting records reflect GAAP, as promulgated by GASB. The accounting system of the School is organized on the basis of governmental funds and business-type activities. These funds are explained in "Notes to Financial Statements," Note 1.

**10. Relevant Financial Policies**

The School's fiscal management is guided by Board of Trustee-adopted financial policies that are known as "Business and Non-Instructional Operations." The School has a policy, contained within this group that outlines the fiscal management and internal controls of the School. The Princeton Charter School Board of Trustees recognizes that its success as an educational institution will depend on sound financial planning and management and implements this within the best possible school budget. Financial resources are allocated to support a strong instructional school program, along with supporting the School's education mission. There is also a required Standard Operating Procedure manual, which details how financial tasks are to be completed. The Budget, Planning, Preparation and Adoption Policy (Board Policy #3100) outlines the budget process and how the School's budget must be in accord with statutory and regulatory mandates of the Federal government, the State legislature, the State board of education, and the Board of Trustees. These are also many other relevant financial policies that outline purchasing practices, vendor relations, audit procedures, school activity fund management and operations of maintenance and plant. To obtain a copy of these policies, please contact the School Business Administrator/Board Secretary.

**11. Other Information**

Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of WithumSmith+Brown, PC was selected by the Board of Trustees to perform auditing services at its annual organization meeting. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the New Jersey OMB Circular 04-04. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information are included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

**12. Acknowledgements**

We would like to express our appreciation to the members of the Board of Trustees of Princeton Charter School for their commitment to provide fiscal accountability to the citizens and taxpayers of the participating districts of the School and thereby contributing their full support to the development and maintenance of our financial operation.

Respectfully submitted,

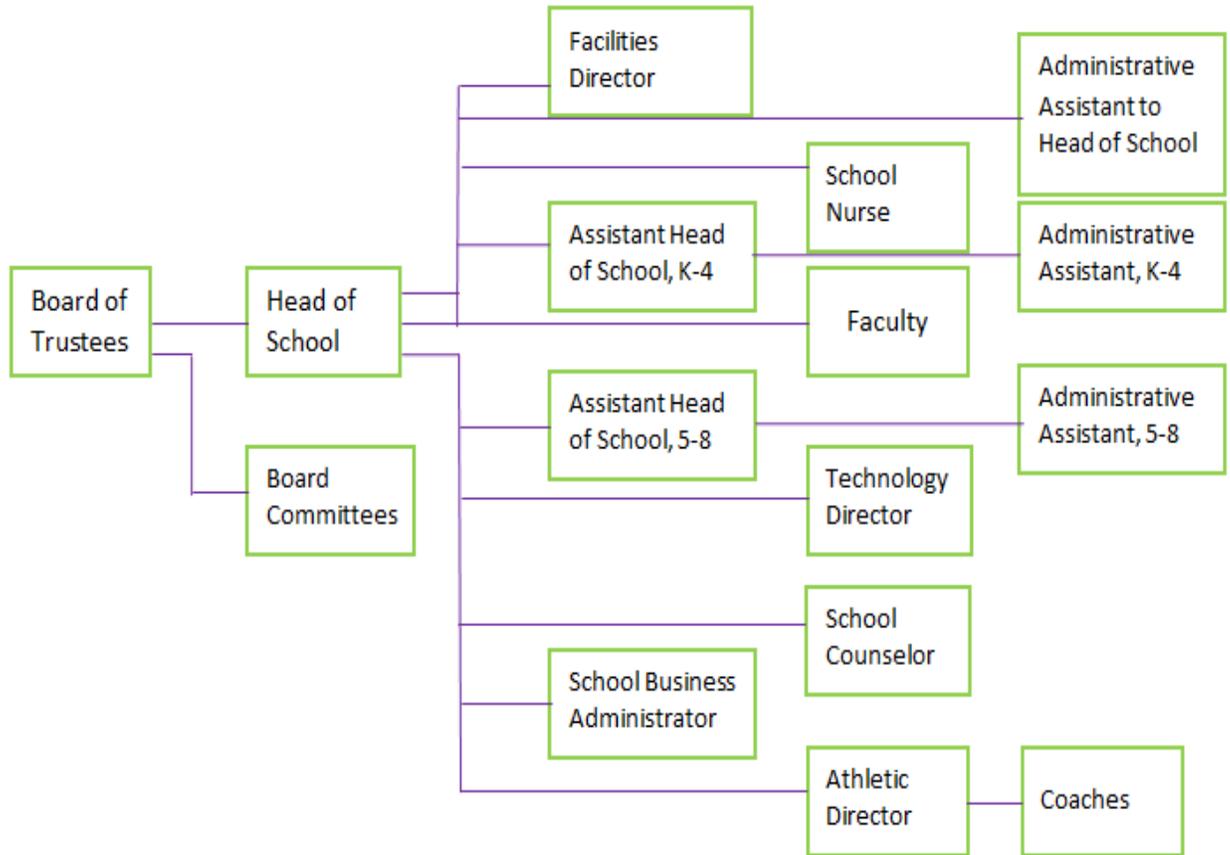
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Lawrence D. Patton  
Head of School

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Robert Long  
Interim School Business Administrator / Board Secretary

# Princeton Charter School



**PRINCETON CHARTER SCHOOL**  
**Roster of Officials**  
**June 30, 2015**

<b><u>Members of the Board of Trustees</u></b>	<b><u>Term Expires</u></b>
Paul Josephson, Chairperson	June 30, 2017
Amanda Rose, Vice Chairperson	June 30, 2017
Shannon Daley-Harris, Secretary	June 30, 2016
Khalid Anwar, Treasurer	June 30, 2018
Brandice Canes-Wrone	June 30, 2017
Randy Hubert	June 30, 2018
Kinga Kaminska	June 30, 2016
Trusha Shah	June 30, 2016
Maryellen McQuade	June 30, 2018

**Other Officers**

Lawrence D. Patton, Head of School

Robert Long, Interim School Business Administrator / Board Secretary

**PRINCETON CHARTER SCHOOL  
Consultants and Advisors**

**Audit Firm**

WithumSmith+Brown, PC  
One Spring Street  
New Brunswick, NJ 08901

**Attorney**

Apruzzese, McDermott, Mastro & Murphy, PC  
Somerset Hills Corporate Center  
25 Independence Blvd.  
Warren, NJ 07059

**Official Depository**

Capital One Bank, NA  
755 US Highway 1 South  
Iselin, NJ 08830

# Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award  
is presented to*

## Princeton Charter School

*For Its Comprehensive Annual Financial Report (CAFR)  
For the Fiscal Year Ended June 30, 2014*

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, appearing to read "M. Pepera", written over a horizontal line.

Mark C. Pepera, MBA, RSBO, SFO  
President

A handwritten signature in black ink, appearing to read "John D. Musso", written over a horizontal line.

John D. Musso, CAE, RSBA  
Executive Director

## **FINANCIAL SECTION**



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Additional Offices in New Jersey, New York,  
Pennsylvania, Massachusetts, Florida,  
Colorado and Grand Cayman

## Independent Auditors' Report

The Honorable Chairperson and Members  
of the Board of Trustees  
Princeton Charter School  
Princeton, 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 Princeton Charter School (the "School") as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 previously 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 Princeton Charter School as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principle 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Princeton Charter School's basic financial statements. The introductory section, combining and individual non-major fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, schedule of findings and questioned costs, and summary schedule of prior audit findings are presented for purposes of additional analysis and are not a required part of the basic financial statements of Princeton Charter School.

The combining and individual non-major fund financial statements, schedule of expenditures of federal awards, and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 non-major fund financial statements, schedules of expenditures of federal awards and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015 on our consideration of Princeton Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Princeton Charter School's internal control over financial reporting and compliance.

December 17, 2015  
New Brunswick, NJ

WithumSmith+Brown, PC

A handwritten signature in blue ink, appearing to read 'J. Decker', written over a horizontal line.

James J. Decker  
Licensed Public School Accountant #2502  
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Princeton Charter School Management's Discussion and Analysis Year Ended June 30, 2015

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This section of Princeton Charter School's annual report presents its discussion and analysis of the School's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the School's financial statements, which immediately follow this section.

### Financial Highlights

- The assets and deferred outflows of resources of Princeton Charter School exceeded its liabilities and deferred inflows at June 30, 2015 by \$4,285,090 (net position). Of this amount \$343,995 represents unrestricted net position, which may be used to meet the School's ongoing future major initiatives.
- At the current fiscal year, unrestricted governmental fund balance was \$342,234 or approximately 5.52% of total general fund expenditures.
- Princeton Charter School's per pupil funding amount is \$15,339 per student, which is the same as prior years. The School's per pupil funding comes from two sources, the District of Residence and the State of New Jersey.
- Enrollment in the School increased to 348 in the current year from 344 in the prior year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) charter school-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This document also contains required supplementary and other supplementary information in addition to the basic financial statements themselves.

**Charter School-Wide Financial Statements:** The charter school-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all the assets, deferred inflows / outflows and liabilities of the School, with the differences reported as net position. Over time, increases or decreases in net position may serve as useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the School changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the charter school-wide financial statements distinguish functions of the School that are principally supported by both equalization aid/local levy and state government revenues from other functions that are intended to recover all or a significant portion of their costs through fees and charges (business-type activities). The governmental activities of the School are the public resources used to operate a public charter school. The business-type activities of the School include a food service program (school lunch program) an after school program and many after school club activities.

The charter school-wide financial statements can be found on pages 21-22 of this report.

**Fund Financial Statements:** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds:* Governmental funds are used to account for essentially the same functions reported as governmental activities in the charter school-wide financial statements. However, unlike the charter school-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the charter school's near-term financing requirements.

## Princeton Charter School Management's Discussion and Analysis Year Ended June 30, 2015

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Because the focus of governmental funds is narrower than that of the charter school-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the charter school-wide financial statements. By doing so, readers may better understand the long-term impact of the charter school's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and special revenue fund all of which are considered to be major funds.

The School adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided as required supplementary information for the general fund and special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23-25 of this report.

*Proprietary funds:* The School maintains one proprietary fund type. Enterprise funds (one type of proprietary fund) are used to report the same functions presented as business-type activities in the charter school-wide financial statements. The School uses an enterprise fund to account for the operations of its food service, after-school activities, summer camps, and after-school clubs.

The basic enterprise fund financial statements can be found on pages 26-28 of this report.

*Fiduciary funds:* Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the charter school-wide financial statements because the resources of those funds are not available to support the School's own programs. The School uses trust funds to account for the activity of the unemployment compensation trust fund. The School uses agency funds to account for resources held for student activities and groups, and payroll-related liabilities.

The basic fiduciary fund financial statements can be found on pages 29-30 of this report.

**Notes to the Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the charter school-wide and fund financial statements. The notes to the basic financial statements can be found on pages 31-52 of this report.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

**Charter School-Wide Financial Analysis:** As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of Princeton Charter School, assets and deferred outflows exceeded liabilities by \$4,285,090 (reported as total net position) at the close of 2015. The following table provides a summary of net position relating to the School's governmental and business-type activities at June 30, 2015 and 2014:

	Net Position					
	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 369,067	\$ 10,411	\$ 379,478	\$ 588,334	\$ 13,559	\$ 601,893
Capital assets (net)	11,681,810	15,285	11,697,095	12,178,380	16,540	12,194,920
Total assets	12,050,877	25,696	12,076,573	12,766,714	30,099	12,796,813
Deferred Outflow of Resources	847,475	--	847,475	713,266	--	713,266
Non-current liabilities	7,930,393	--	7,930,393	8,072,229	--	8,072,229
Other liabilities	666,517	8,650	675,167	101,118	6,736	107,854
Total liabilities	8,596,910	8,650	8,605,560	8,173,347	6,736	8,180,083
Deferred Inflow of Resources	33,398	--	33,398	--	--	--
Net position						
Invested in capital assets	3,925,810	15,285	3,941,095	4,819,417	16,540	4,835,957
Unrestricted	342,234	1,761	343,995	487,216	6,823	494,039
Total net position	\$ 4,268,044	\$ 17,046	\$ 4,285,090	\$ 5,306,633	\$ 23,363	\$ 5,329,996

The largest portion of the School's net position is its net investment in capital assets. Restricted net position includes those (if any) that are subject to external restriction (e.g. capital projects). The School does not have any restricted net position.

Current and other assets decreased primarily due to the use of funds for ongoing major initiatives. Long-term liabilities increased slightly due to refinancing of the School's loan.

Capital assets (net) decreased from prior year due to new additions to the School's capital expenditures offset by current year related depreciation, which exceeded capital asset additions.

The total net position of the School during the current fiscal year decreased by \$1,044,906. The majority of this decrease is attributed to general fund operations which generated an excess of expenses (including depreciation) over revenues, and reduction of opening net pension in accordance with GASB Statement No. 71.

There was no substantial change in business-type activity assets, liabilities and net position for the year ended June 30, 2015.

The School implemented two new Governmental Accounting Standards Board ("GASB") Statements in the current fiscal year that significantly changed the current year's presentation.

The School adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* during the 2015 fiscal year. The pronouncement requires the School to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

The School adopted GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the 2015 fiscal year. The pronouncement requires the School to restate its beginning net position to reflect the beginning balance of the net pension liability recorded in accordance with GASB No. 68. Also, in accordance with GASB No. 71, the School restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

Implementation of these standards had a significant impact on the reported financial results of the School. Beginning net position was reduced by \$530,118 and a pension liability of \$560,420 was recorded, along with pension deferred outflows of \$56,882 and pension deferred inflows of \$33,398.

**Government-Wide Activities:** The key elements of the School's activities for the years ended June 30, 2015 and 2014 are as follows:

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenue:</b>						
Operating grants and contributions	\$ 1,132,893	\$ 19,075	\$ 1,151,968	\$ 554,157	\$ 9,619	\$ 563,776
<b>General revenues:</b>						
Equalization/Local Levy Aid- Local Share	4,819,869	--	4,819,869	4,675,523	--	4,675,523
State sources	457,516	--	457,516	563,152	--	563,152
Grants and contributions not restricted to specific programs	50,000	--	50,000	125,000	--	125,000
Miscellaneous	48,977	--	48,977	45,152	--	45,152
<b>Program Revenue:</b>						
Food services	--	76,947	76,947	--	74,650	74,650
Chess after school program	--	8,551	8,551	--	7,982	7,982
Summer camps	--	--	--	--	--	--
After school program	--	64,092	64,092	--	58,519	58,519
After school clubs	--	4,502	4,502	--	12,088	12,088
Transfer	--	--	--	--	--	--
<b>Total revenue</b>	<b>6,509,255</b>	<b>173,167</b>	<b>6,682,422</b>	<b>5,962,984</b>	<b>162,858</b>	<b>6,125,842</b>
<b>Expenses:</b>						
Instruction	3,618,617	--	3,618,617	3,189,500	--	3,189,500
Student and instruction related services	560,201	--	560,201	326,853	--	326,853
School administrative services	1,228,372	--	1,228,372	1,110,063	--	1,110,063
Plant operations and maintenance	695,803	--	695,803	634,119	--	634,119
Pupil transportation	12,446	--	12,446	14,222	--	14,222
Interest on mortgage debt	313,193	--	313,193	313,140	--	313,140
Debt issuance costs	92,141	--	92,141	--	--	--
Unallocated depreciatoin (not allocated elsewhere)	496,953	--	496,953	496,918	--	496,918
Food service	--	94,412	94,412	--	96,982	96,982
Chess program	--	13,686	13,686	--	11,850	11,850
After school program	--	52,842	52,842	--	43,715	43,715
After school clubs	--	18,544	18,544	--	12,490	12,490
<b>Total expenses</b>	<b>7,017,726</b>	<b>179,484</b>	<b>7,197,210</b>	<b>6,084,815</b>	<b>165,037</b>	<b>6,249,852</b>
(Decrease) increase in net postion	(508,471)	(6,317)	(514,788)	(121,831)	(2,179)	(124,010)
Net position - beginning of year, as previously stated	5,306,633	23,363	5,329,996	5,428,464	25,542	5,454,006
Effect of GASB 71 restatement	(530,118)	--	(530,118)	--	--	--
Net position - beginning of year, as restated	4,776,515	23,363	4,799,878	5,428,464	25,542	5,454,006
Net position - end of year	\$ 4,268,044	\$ 17,046	\$ 4,285,090	\$ 5,306,633	\$ 23,363	\$ 5,329,996

The increase in governmental operating grants and contributions is a result of the allocated TPAF pension contributions made by the State of New Jersey on-behalf of the School during the 2014-2015 school year including additional TPAF pension revenue of \$348,760 recorded as a result of GASB 68.

The increase in Equalization Aid is due to the increase in the levy that flows into the School from the District of Residence during the current year. The School received an average of \$14,093, on a per pupil basis from the District of Residence, in 2014-2015. In 2013-2014 the School received an average of \$14,041 on per pupil basis.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

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The revenue from state sources decreased due to the decrease in adjustment aid that the School received from the State of New Jersey in the current year. This adjustment aid is on a per pupil basis. In 2014-2015 the School received \$1,246 on a per pupil basis, compared to \$1,298 in 2013-2014. The total per pupil funding is \$15,339 for both fiscal years. The State of New Jersey allocates additional aid to charter schools that were adversely affected by the new funding formula of 2008.

Instruction and student and instructional related services increased in the current year due to additional TPAF pension expense recorded as a result of GASB 68, pro-rata reclassification of certain support services salaries for staff that are engaged in classroom instruction for a percentage of their work time, and increased classroom instruction training and support.

The revenues from business-type activities increased due to higher rates charged for the school lunch program and greater usage of the after-school program which offset lower participation in the school lunch program.

**Financial Analysis of the School's Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the School's governmental funds is to provide information on near-term inflow, outflows, and balances as spendable resources. Such information is useful in assessing the School's financing requirements.

As demonstrated by the various statements and schedules included in the Financial Section of this report, the School continues to meet its responsibility for sound fiscal financial management. The following schedule presents a summary of General Fund and Special Revenue Fund revenues for the fiscal year ended June 30, 2015 and increases and decreases in relation to prior years:

Sources of Revenue for Fiscal Year 2015	Amount	Percentage	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Sources of Income				
Local Sources	\$ 5,049,453	81.97%	\$ 203,778	4.21%
State Sources	1,057,961	17.17%	(9,280)	-0.87%
Federal Sources	53,081	0.86%	3,013	6.02%
	<u>\$ 6,160,495</u>	<u>100.00%</u>	<u>\$ 197,511</u>	<u>9.36%</u>

The increase in local sources is mainly attributable to an increase in the equalization aid that flows from the District of Residence to the School and an increase in contributions.

The decrease in state sources and increase in federal sources was minimal.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

The following schedule presents a summary of General Fund and Special Revenue Fund expenditures for the fiscal year ended June 30, 2015 and the increases and decreases related to the prior year:

Government Expenditures

	Amount	Percent of Total	Increase (Decrease) from 2014	Percent of Increase (Decrease)
Current expenditures				
Instruction	\$ 2,598,349	40.70%	\$ 90,159	3.59%
Undistributed	3,097,416	48.51%	392,001	14.49%
Capital outlay	64,479	1.01%	(44,694)	-40.94%
Mortgage note payable				
Principal	323,818	5.07%	12,677	4.07%
Interest	300,679	4.71%	(12,461)	-3.98%
	<u>\$ 6,384,741</u>	<u>100.00%</u>	<u>\$ 437,682</u>	<u>7.36%</u>

The increase in instruction is attributed mainly to increase in the purchase of general supplies to support the instructional program at the School.

The increase in undistributed is attributed mainly to increases in employee benefits and the maintenance of the School.

The decrease in capital outlay is because fewer resources were allocated to capital improvements.

**Charter School Analysis**

Charter Schools are required to spend at least 60% of budgeted expenditures on instruction. The expenditures do not include long term expenditures (mortgage principal or interest payments), capital outlay, or the TPAF non-budgeted on-behalf. The benefits are allocated by the percent of salaries apportioned to each category. Listed below is the percentage of current expenditures per designated category:

Category	Amount	Allocated Benefits	Total	Percent of Total
Instruction	\$ 2,598,349	\$ 451,455	\$ 3,049,804	61%
Administration	930,903	107,087	1,037,990	21%
Support	857,924	41,420	899,345	18%
Total	<u>\$ 4,387,176</u>	<u>\$ 599,962</u>	<u>\$ 4,987,139</u>	<u>100%</u>

The School continues to support its strong instructional program by allocating financial resources accordingly.

**General Fund Budgetary Highlights**

During the 2014-2015 school year, Princeton Charter School amended its General Fund budget as needed. The School uses line-based budgeting, which is known as the Line 108 report. This budget report is given to New Jersey Charter Schools by the New Jersey Department of Education. The budgeting system is designed to control costs and allocate resources in four key areas: instruction, administration, support services, and capital outlay. The financial position of the School remains stable while the School's enrollment has increased slightly from 344 to 348 students. Careful management of expenses remains essential for the School to maintain its financial health. During the year ended June 30, 2015 actual expenses exceeded actual revenues by \$224,246.

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

The budget was developed for a total student body of 348 students. The additional amount received from Miscellaneous Revenue is predominantly for the rental of the School facilities by outside entities.

The Board adopted the original budget in March 2014 and amended it in December 2014, when the State of New Jersey provides the final funding numbers based on the October 15th enrollment count. This enrollment count is the students that are in a charter school at that point in time. Any students that leave the School from that date until the end of the school year are reported in the final enrollment count and the per-pupil funding is adjusted accordingly.

A review of actual expenditures compared to the appropriations in the final budget was for the following:

*Instructional expenditures:* the original budget was \$2,547,134; the amended budget was \$2,459,160; and the actual expenditures were \$2,598,349. The main variance is found in the budget line item *Other Salaries for Instruction* and is the result of pro-rata reclassification of certain support services salaries for staff that are engaged in classroom instruction for a percentage of their work time. Additionally, increases in *Purchased Professional / Technical Services* were due to classroom instruction training and support.

*Administrative expenditures:* the original budget was \$1,789,793; the amended budget was \$1,776,590; and the actual expenditures were \$1,831,544. The variance is primarily the result of additional costs incurred due to the medical leave of the School's incumbent School Business Administrator ("SBA") (hiring of a part-time, contract SBA and an increase in hours of the Accounting Clerk). Additionally, *Total Benefit Costs* exceeded budget estimates due to life events that expanded insurance rolls (marriages and child births).

*Support expenditures:* the original budget was \$861,700; the amended budget was \$891,880; and the actual expenditures were \$857,924. Net Support expenses were below budget estimates. The variance is due to a decrease in *Salaries* (due to the pro-rata reclassification noted above) that were partially offset by increases in *Purchased Professional / Technical Services* for buildings and grounds maintenance and special education services.

*Capital outlay:* the original budget was \$447,667; the amended budget was \$350,892; and the actual expenditures were \$360,971. There was minimal variance between the amended budget and actual expenditures.

The amount of variance of final to actual of \$(722,531) is largely attributed to the State of New Jersey's requirement of the inclusion in the general fund of the non-budgeted on-behalf for TPAF purposes. These amounts are offset by related revenues and, as such; do not represent over-expenditures in this budget.

After removing that required adjustment the above variance would be \$(170,266).

**Capital Assets**

At the end of the fiscal year ended June 30, 2015 and 2014, the School had \$11,681,810 and \$12,178,380 respectively, net invested in land, site improvements, building and building improvements and machinery and equipment.

**Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School		Percentage Change
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	
Sites (land)	\$ 2,560,000	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000	\$ 2,560,000	0.00%
Site improvements	126,535	346,231	--	--	126,535	346,231	-63.45%
Building and building improvements	8,607,023	9,100,227	--	--	8,607,023	9,100,227	-5.42%
Machinery and equipment	388,252	171,922	15,285	16,540	403,537	188,462	114.12%
	<u>\$ 11,681,810</u>	<u>\$ 12,178,380</u>	<u>\$ 15,285</u>	<u>\$ 16,540</u>	<u>\$ 11,697,095</u>	<u>\$ 12,194,920</u>	<u>-4.08%</u>

**Princeton Charter School  
Management's Discussion and Analysis  
Year Ended June 30, 2015**

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The decrease in capital assets is due to current year depreciation expense exceeding the current year additions. For more detailed information, refer to Note 4 to the basic financial statements.

**Debt Administration**

At June 30, 2015 the School had \$7,756,000 outstanding in its mortgage notes payable. Of this amount \$191,760 is due in the 2015-2016 school year. The School also has a non-current liability in the amount of \$174,393, which is for an interest rate swap, a derivative instrument connected to the mortgage note. The School refinanced its loan during year, incurring a \$616,200 fee associated with terminated the previous swap and \$92,141 of loan issuance costs.

**Outstanding Long-Term Debt**

	Total School		Percentage
	2014/2015	2013/2014	Change
Mortgage Payable	\$ 7,756,000	\$ 7,358,963	5.40%

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

- The projected enrollment, for the 2015-2016 school year is 348 students.
- The per-pupil funding is \$15,339, the same as it was in 2014-2015.
- The State of New Jersey continues to provide adjustment aid for schools that were adversely affected by the School Reform Funding Act of 2008.
- All of the above factors were considered in preparing the School's 2015-2016 fiscal year budget.

**Contacting the School's Financial Management**

This financial report is designed to provide a general overview of Princeton Charter School's finances for all those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact the School Business Administrator at 609-924-0575, ext. 2503.

## **BASIC FINANCIAL STATEMENTS**

**CHARTER SCHOOL-WIDE  
FINANCIAL STATEMENTS**

**Princeton Charter School  
Statement of Net Position  
June 30, 2015**

**Exhibit A-1**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 295,007	\$ 910	\$ 295,917
Receivables from other governments	9,208	656	9,864
Other receivables	64,852	8,845	73,697
Capital assets:			
Site (land)	2,560,000	--	2,560,000
Depreciable site improvements, building and improvements, furniture, machinery, and equipment (net of accumulated depreciation)	9,121,810	15,285	9,137,095
Total assets	<u>12,050,877</u>	<u>25,696</u>	<u>12,076,573</u>
<b>DEFERRED OUTFLOWS</b>			
Accumulated decrease in fair value of hedging derivatives	174,393	--	174,393
Loss on refunding	616,200	--	616,200
Pension deferred outflows	56,882	--	56,882
Total deferred outflows	<u>847,475</u>	<u>--</u>	<u>847,475</u>
<b>LIABILITIES</b>			
Cash overdraft	--	508	508
Accounts payable - vendors	32,735	--	32,735
Medical insurance payable	71,862	--	71,862
Unearned revenues	1,500	8,142	9,642
Non-current liabilities:			
Mortgage note payable due within one year	191,760	--	191,760
Mortgage note payable due in more than one year	7,564,240	--	7,564,240
Net pension liability	560,420	--	560,420
Derivative instrument - interest rate swap	174,393	--	174,393
Total liabilities	<u>8,596,910</u>	<u>8,650</u>	<u>8,605,560</u>
<b>DEFERRED INFLOWS</b>			
Pension deferred inflows	33,398	--	33,398
<b>NET POSITION</b>			
Net invested in capital assets	3,925,810	15,285	3,941,095
Unrestricted	342,234	1,761	343,995
Total net position	<u>\$ 4,268,044</u>	<u>\$ 17,046</u>	<u>\$4,285,090</u>

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

**Princeton Charter School  
Statement of Activities  
Year Ended June 30, 2015**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular instruction	\$ 3,618,617	\$ --	\$ 579,655	\$ --	\$ (3,038,962)	\$ --	\$ (3,038,962)
Support services:							
Student & instruction related services	560,201	--	330,727	--	(229,474)	--	(229,474)
General administrative services	1,228,372	--	160,824	--	(1,067,548)	--	(1,067,548)
Plant operations and maintenance	695,803	--	34,361	--	(661,442)	--	(661,442)
Pupil transportation	12,446	--	--	--	(12,446)	--	(12,446)
Interest on long-term debt	313,193	--	--	--	(313,193)	--	(313,193)
Debt issuance costs	92,141	--	--	--	(92,141)	--	(92,141)
Unallocated depreciation (excludes allocated depreciation)	496,953	--	--	--	(496,953)	--	(496,953)
Grants and contributions restricted to specific programs	--	--	27,326	--	27,326	--	27,326
Total governmental activities	7,017,726	--	1,132,893	--	(5,884,833)	--	(5,884,833)
Business-type activities:							
Food service	94,412	76,947	8,375	--	--	(9,090)	(9,090)
Chess program	13,686	8,551	--	--	--	(5,135)	(5,135)
After school program	52,842	64,092	--	--	--	11,250	11,250
After school clubs	18,544	4,502	10,700	--	--	(3,342)	(3,342)
Total business-type activities	179,484	154,092	19,075	--	--	(6,317)	(6,317)
Total primary government	\$ 7,197,210	\$ 154,092	\$ 1,151,968	\$ --	\$ (5,884,833)	\$ (6,317)	\$ (5,891,150)
General revenues:							
Local property taxes - charter school aid					\$ 4,819,869	\$ --	\$ 4,819,869
State share					457,516	--	457,516
Grants and contributions not restricted to specific programs					50,000	--	50,000
Miscellaneous income					48,977	--	48,977
Total general revenues					5,376,362	--	5,376,362
Change in net position					(508,471)	(6,317)	(514,788)
Net position - beginning, as previously stated					5,306,633	23,363	5,329,996
Effect of GASB 71 restatement (see Note 17)					(530,118)	--	(530,118)
Net position - beginning, as restated					4,776,515	23,363	4,799,878
Net position - ending					\$ 4,268,044	\$ 17,046	\$ 4,285,090

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

**FUND FINANCIAL STATEMENTS**

**Princeton Charter School  
Balance Sheet  
Governmental Funds  
June 30, 2015**

Exhibit B-1

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 295,007	\$ --	\$ 295,007
Other receivables	64,852	--	64,852
Receivables from other governments:			
Federal	--	--	--
State	9,208	--	9,208
Total assets	<u>\$ 369,067</u>	<u>\$ --</u>	<u>\$ 369,067</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable - vendors	\$ 32,735	\$ --	\$ 32,735
Medical insurance payable	71,862	--	71,862
Deferred revenues	1,500	--	1,500
Total liabilities	<u>106,097</u>	<u>--</u>	<u>106,097</u>
Fund Balances:			
Assigned	--	--	--
Unassigned	262,970	--	262,970
Total fund balances	<u>262,970</u>	<u>--</u>	<u>262,970</u>
Total liabilities and fund balances	<u>\$ 369,067</u>	<u>\$ --</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund statements. The cost of the assets is \$16,380,755 and the accumulated depreciation is \$4,698,945.	11,681,810
Pension deferred outflows are not current financial resources and, therefore, are not reported in the fund statements.	56,882
Pension deferred inflows are not reported as liabilities in the fund statements.	(33,398)
Loss on refunding deferred outflows are not reported as liabilities in the fund statements.	616,200
Long-term liabilities, including mortgage note payable are not due in the current period and, therefore, are not reported as liabilities in the funds.	(7,756,000)
Long-term liabilities, including net pension liability, are not due in the current period and, therefore, are not reported as liabilities in the funds.	(560,420)
Net position of governmental activities	<u>\$ 4,268,044</u>

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

**Princeton Charter School**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**Year Ended June 30, 2015**

Exhibit B-2

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Local sources:			
Equalization aid	\$ 4,819,869	\$ --	\$ 4,819,869
Grants and contributions not restricted to specific programs	50,000	--	50,000
Miscellaneous	48,977	130,607	179,584
Total local sources	<u>4,918,846</u>	<u>130,607</u>	<u>5,049,453</u>
State sources	1,057,961	--	1,057,961
Federal sources	--	53,081	53,081
Total revenues	<u>5,976,807</u>	<u>183,688</u>	<u>6,160,495</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	2,598,349	--	2,598,349
Undistributed costs:			
Student and instruction related services	207,894	156,362	364,256
General administrative services	930,903	--	930,903
Plant operations and maintenance	637,584	--	637,584
Pupil transportation	12,446	--	12,446
Employee benefits	599,962	--	599,962
On-behalf pension contributions	364,543	--	364,543
On-behalf TPAF social security contributions	187,722	--	187,722
Debt service:			
Mortgage payments-principal	323,818	--	323,818
Interest on mortgage note payable	300,679	--	300,679
Capital outlay	37,153	27,326	64,479
Total expenditures	<u>6,201,053</u>	<u>183,688</u>	<u>6,384,741</u>
Excess of expenditures over revenues	<u>(224,246)</u>	<u>--</u>	<u>(224,246)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	720,855	--	720,855
Debt issuance costs	(92,141)	--	(92,141)
Loss on refunding	(616,200)	--	(616,200)
Mortgage note payments - interest	(12,514)	--	(12,514)
Total other financing sources and uses	<u>--</u>	<u>--</u>	<u>--</u>
Fund balance - July 1	487,216	--	487,216
Fund balance - June 30	<u>\$ 262,970</u>	<u>\$ --</u>	<u>\$ 262,970</u>

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

**Princeton Charter School  
 Reconciliation of the Statement of Revenue, Expenditures, and Changes in  
 Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2015**

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**Exhibit B-3**

**Excess of expenditures over revenues - governmental funds (from B-2)** \$ (224,246)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$ (561,049)	
Capital additions	<u>64,479</u>	(496,570)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience / assumption. This is the amount by which net pension liability and deferred infows / outflows related to pension changed during the period.

(6,818)

Repayment of mortgage note is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.

323,818

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.

(720,855)

Losses on refundings are a financing use in the governmental funds. They are not expenses in the statement of activities. They are recorded as deferred outflows in the statement of net position.

616,200

**Change in net position of governmental activities** \$ (508,471)

**Princeton Charter School  
Statement of Net Position  
Proprietary Funds  
June 30, 2015**

Exhibit B-4

	Enterprise Funds		
	Food Service	After School Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 910	\$ --	\$ 910
Other receivables	888	7,957	8,845
Receivables from other governments	656	--	656
Total current assets	<u>2,454</u>	<u>7,957</u>	<u>10,411</u>
Noncurrent assets:			
Equipment	18,820	--	18,820
Less: Accumulated depreciation	(3,535)	--	(3,535)
Total capital assets, net	<u>15,285</u>	<u>--</u>	<u>15,285</u>
Total assets	<u>17,739</u>	<u>7,957</u>	<u>25,696</u>
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft	--	508	508
Unearned revenues	8,142	--	8,142
Total current liabilities	<u>8,142</u>	<u>508</u>	<u>8,650</u>
<b>NET POSITION</b>			
Invested in capital assets net of related debt	15,285	--	15,285
Unrestricted	(5,688)	7,449	1,761
Total net position	<u>\$ 9,597</u>	<u>\$ 7,449</u>	<u>\$ 17,046</u>

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

**Princeton Charter School**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

Exhibit B-5

	Enterprise Funds		
	Food Service	After School Activities	Total
Operating revenues:			
Local sources:			
Daily food sales - reimbursable programs	\$ 76,945	\$ --	\$ 76,945
Miscellaneous program fees	2	77,145	77,147
Total operating revenues	<u>76,947</u>	<u>77,145</u>	<u>154,092</u>
Operating expenses:			
Cost of sales	72,557	--	72,557
Salaries	20,600	74,187	94,787
Miscellaneous program expense	--	371	371
Professional services	--	7,898	7,898
Supplies and materials	--	2,616	2,616
Depreciation	1,255	--	1,255
Total operating expenses	<u>94,412</u>	<u>85,072</u>	<u>179,484</u>
Operating loss	<u>(17,465)</u>	<u>(7,927)</u>	<u>(25,392)</u>
Non-operating revenue:			
State sources:			
State school lunch program	674	--	674
Federal sources:			
National school lunch program	7,701	--	7,701
Local sources:			
Friends of PCS	--	10,700	10,700
Total non-operating revenue	<u>8,375</u>	<u>10,700</u>	<u>19,075</u>
Change in net position	<u>(9,090)</u>	<u>2,773</u>	<u>(6,317)</u>
Net position - beginning	18,687	4,676	23,363
Net position - ending	<u>\$ 9,597</u>	<u>\$ 7,449</u>	<u>\$ 17,046</u>

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

**Princeton Charter School  
Statement of Cash Flows  
Proprietary Funds  
June 30, 2015**

Exhibit B-6

	Enterprise Funds		
	Food Service	After School Activities	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 78,221	\$ 72,919	\$ 151,140
Payments to employees	(20,600)	(74,187)	(94,787)
Payments to suppliers	(72,557)	(10,377)	(82,934)
Net cash used by operating activities	<u>(14,936)</u>	<u>(11,645)</u>	<u>(26,581)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
State sources	702	--	702
Federal sources	7,590	--	7,590
Local sources	--	10,700	10,700
Cash received from operating transfers	--	--	--
Net cash provided by non-capital financing activities	<u>8,292</u>	<u>10,700</u>	<u>18,992</u>
Net change in cash and cash equivalents	(6,644)	(945)	(7,589)
Balances - beginning of year, July 1	7,554	945	8,499
Balances - end of year, June 30	<u>\$ 910</u>	<u>\$ --</u>	<u>\$ 910</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (17,465)	\$ (7,927)	\$ (25,392)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation and net amortization	1,255	--	1,255
Change in cash overdraft	--	508	508
Change in unearned revenue	1,406	--	1,406
Change in accounts receivable, net	(132)	(4,226)	(4,358)
Net cash used by operating activities	<u>\$ (14,936)</u>	<u>\$ (11,645)</u>	<u>\$ (26,581)</u>

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

**Princeton Charter School  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2015**

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Exhibit B-7

	<u>Unemployment Trust Fund</u>	<u>Agency Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 86	\$ 2,726	\$ 2,812
<b>LIABILITIES</b>			
Prepaid employee FSA claims	--	2,726	2,726
<b>NET POSITION</b>			
Held in trust for unemployment claims	<u>\$ 86</u>	<u>\$ --</u>	<u>\$ 86</u>

**Princeton Charter School  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2015**

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**Exhibit B-8**

**Unemployment Trust Fund**

**ADDITIONS**

Contributions:

Plan members

\$ 4,934

**DEDUCTIONS**

Transfer to General Fund to cover unemployment claims

4,898

Change in net position

36

Net position, beginning of year

50

Net position, end of year

\$ 86

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2015**

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**1. Summary of Significant Accounting Policies**

The financial statements of Princeton Charter School (the "School") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are disclosed below.

**Reporting Entity**

The School is an instrumentality of the State of New Jersey, established to function as an educational institution. The School's board of trustees consists of nine elected officials who are elected by the parents / guardians of Princeton Charter School students. Each elected Board member serves a three-year term. The Board is responsible for the fiscal control of the School. A Head of School is appointed by the Board and is responsible for the administrative control of the School. The purpose of the School is to provide instruction to students grades K through 8.

The financial reporting entity consists of a) the charter school, b) organizations for which the charter school is financially accountable, and c) other organizations for which the nature and significance of their relationship with the charter school are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A charter school is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the charter school. A charter school may also be financially accountable for governmental organizations that are fiscally dependent on it.

The School has oversight responsibility and control over all activities related to Princeton Charter School in Princeton, New Jersey. The School receives funding from local, State, and Federal government sources and must comply with the requirements of these funding source entities.

The School has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the "GASB Codification of Governmental Accounting and Financial Reporting Standards".

**Charter School-Wide and Fund Financial Statements**

The charter school-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Equalization Aid and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. The New Jersey Department of Education requires that all funds be reported as major to promote consistency of reporting among the schools in the State of New Jersey.

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2015**

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The charter school-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Equalization Aid is recognized as revenue in the year for which it is recorded and earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenue to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, certain legal settlements and capital leases, are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Equalization aid, interest, and state monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when the School receives cash.

The School has reported the following governmental funds:

*General Fund:* The general fund is the general operating fund of the School and is used to account for all financial resources except those required to be accounted for in another fund. Capital outlay is also included in the general fund.

*Special Revenue Fund:* The School maintains one special revenue fund, which includes the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects.

The School reports the following proprietary funds:

*Food Service Enterprise Fund:* The food service enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations. This fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods and services to the students or other entities on a continuing basis are financed or recovered primarily through user charges.

*After School Activities Enterprise Fund:* The after school activities enterprise fund accounts for all revenues and expenses pertaining to after school programs. This fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods and services to the students or other entities on a continuing basis are financed or recovered primarily through user charges.

The School reports the following fiduciary fund types:

*Trust Funds:* The unemployment compensation fund is accounted for in essentially the same manner as governmental funds. It is used to account for contributions from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims.

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2015**

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*Agency Funds:* Agency funds are used to account for the assets that the School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the School's enterprise funds are charges for sales of food, tuition, and program fees. Operating expenses for enterprise funds include the cost of sales, administrative expenses, and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The School reports unearned revenue on its balance sheets and statements of net position. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheets and statements of net position and revenue is recognized.

**Budgets / Budgetary Control**

Annual appropriated budgets are prepared in March of each year for the general and special revenue and submitted to the Charter School Office of School Finance after formal Board approval by March 30th. Budgets are prepared using the modified accrual basis of accounting and the special revenue fund uses a non-GAAP budget (budgetary basis). The legal level of budgetary control is established at line item accounts within each fund of the total budget. The line items accounts are defined and established pursuant to the minimum chart of accounts referred in N.J.A.C.6A:23 and then flow into the charter school described formal Line 108 report. Total instructional expenditures must at least 60% of the total budget. All budget amendments must be approved by Board resolution. Budgetary transfers were made during the current year in accordance with statutory guidelines. The amendments made by the School were part of the normal course of operations. The over-expenditures related to on-behalf payments in the general fund are due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as School expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America 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.

**Cash and Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, amounts on deposit, money market accounts, and short-term investments with original maturities of three months or less. Investments are stated at fair value in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("GASB 31"). The School 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 and are stated at cost. All other investments are stated at fair value.

**Princeton Charter School  
Notes to Financial Statements  
June 30, 2015**

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**Inter-Fund Receivables / Payables**

Inter-fund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund in the School and that are due within one year.

**Capital Assets**

Capital assets, which include land, construction in progress, land improvement, buildings and building improvements and machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Capital assets, being depreciated, of the School are depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

<b>Description</b>	<b>Estimated Useful Lives (Years)</b>
Land improvements	20
Buildings and buildings improvements	25-50
Machinery and equipment	5-20
Computer software	5
Vehicles	5-10

**Accrued Salaries and Wages**

The School does not have a summer payment plan; the only wages accrued are for hourly employees whose salaries are earned but not paid by year-end.

**Compensated Absences**

School employees are granted varying amounts of vacation and sick leave in accordance with the School's personnel policy. The School does not offer monetary compensation for unused sick or vacation time.

**Unearned Revenue**

Unearned revenue in the food service fund represents cash which has been received but not yet earned for school lunches.

**Long-Term Obligations**

In the charter school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements the current portion of principal and interest expense are recognized. The School presently has a mortgage note payable with an interest rate swap attached to it.

**Fund Balances**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2015**

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- 1) *Non-spendable* - includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
- 2) *Restricted* - includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- 3) *Committed* - includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision making authority. The School's highest level of decision-making authority is the Board of Trustees (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revises or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- 4) *Assigned* - amounts intended to be used by the government for specific purposes but which do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.
- 5) *Unassigned* - includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the School first spends committed funds, then assigned funds, and finally, unassigned funds.

The general fund balance at June 30, 2015 is \$262,970 and is unassigned.

**Deferred Outflows / Inflows of Resources**

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. The adoption of this statement resulted in a change in the presentation of the statement of net assets to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements.

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net positions are reported as restricted in the government-wide and fund financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The School only has one item that qualifies for reporting in this category: an interest rate swap reported on the government-wide statement of net position. The reported amount of \$174,393 represents the fair value of the interest rate swap as of June 30, 2015.

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2015**

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The School has no deferred inflows of resources as of June 30, 2015.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65") establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

**On-Behalf Payments**

Revenues and expenditures of the general fund include payments made or reimbursed by the State of New Jersey for social security and post-retirement pension and medical contributions for certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the School's annual budget.

**Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2015 and December 8, 2015, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements, and no items have come to the attention of the School that would require disclosure.

**2. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between fund balance (total governmental funds) and net position (governmental activities) as reported in the charter school-wide statement of net position. One element of that reconciliation explains that capital assets used in governmental activities are financial resources and therefore are not reported in the fund. The details of this \$11,681,810 are as follows:

Land	\$ 2,560,000
Site improvements	307,441
Less: Accumulated depreciation - site improvements	(180,906)
Building and building improvements	12,428,881
Less: Accumulated depreciation - building and building improvements	(3,821,858)
Machinery and equipment	1,084,433
Less: Accumulated depreciation - machinery and equipment	<u>(696,181)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 11,681,810</u>

**Princeton Charter School**  
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**3. Deposits and Investments**

New Jersey Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Schools. Additionally, the School has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

**Deposits**

New Jersey statutes require that schools deposit public funds in public depositories located in New Jersey that 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. Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund, M.B.I.A. CLASS and the New Jersey Asset and Rebate 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 5% 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.

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

At June 30, 2015, the School's carrying value of its deposits was \$295,917 and the bank balance was \$355,731.

Based on levels of risk, \$250,000 of the School's cash deposits on June 30, 2015 were secured by federal depository insurance and the remaining bank balance of \$105,731 were covered by the New Jersey Governmental Unit Deposit Protection Act.

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures* ("GASB 40"), the School's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty, the School would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

**Princeton Charter School**  
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The School does not have a policy for the management of Custodial Credit Risk, other than depositing all of its funds in banks covered by GUDPA. At least five percent of the School's deposits were fully collateralized by funds held by financial institutions, but not in the name of the School. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

**Investments**

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

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

*Custodial Credit Risk:* The School does not have a policy for Custodial Credit Risk other than to maintain a safekeeping account for the securities at a financial institution.

*Credit Risk:* The School does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government.

*Concentration of Credit Risk:* The School places no limit on the amount the School may invest in any one issuer. At June 30, 2015, the School had no investments.

*Interest Rate Risk:* The School does not have a policy to limit interest rate risk. The School did not have any funds held as investments during the fiscal year ending on June 30, 2015.

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**4. Capital Assets**

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Purchases/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Sites (land)	\$ 2,560,000	\$ --	\$ --	\$ 2,560,000
Total capital assets not being depreciated	<u>2,560,000</u>	<u>--</u>	<u>--</u>	<u>2,560,000</u>
Capital assets being depreciated				
Site improvements	284,860	22,581	--	307,441
Buildings and building improvements	12,428,881	--	--	12,428,881
Machinery and equipment	1,066,778	41,898	(24,243)	1,084,433
Total capital assets being depreciated	<u>13,780,519</u>	<u>64,479</u>	<u>(24,243)</u>	<u>13,820,755</u>
Governmental activities capital assets	<u>16,340,519</u>	<u>64,479</u>	<u>(24,243)</u>	<u>16,380,755</u>
Less accumulated depreciations for:				
Site improvements	(159,333)	(21,573)	--	(180,906)
Buildings and building improvements	(3,367,653)	(454,205)	--	(3,821,858)
Machinery and equipment	(635,153)	(85,271)	24,243	(696,181)
	<u>(4,162,139)</u>	<u>(561,049)</u>	<u>24,243</u>	<u>(4,698,945)</u>
Governmental activities capital assets, net of accumulated depreciation	<u>\$ 12,178,380</u>	<u>\$ (496,570)</u>	<u>\$ --</u>	<u>\$ 11,681,810</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 11,358
Other instruction	87
Student and instruction related services	23,593
School administrative services	28,341
Plant operations and maintenance	717
Unallocated, not included elsewhere	496,953
	<u>\$ 561,049</u>

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The following schedule is a summarization of the business-type activities changes in capital assets for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Purchases/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated				
Furniture and equipment	\$ 22,063	\$ --	\$ (3,243)	\$ 18,820
Less accumulated depreciation	<u>(5,523)</u>	<u>(1,255)</u>	<u>3,243</u>	<u>(3,535)</u>
Business-type activities capital assets, net of accumulated depreciation	<u>\$ 16,540</u>	<u>\$ (1,255)</u>	<u>\$ --</u>	<u>\$ 15,285</u>

**5. Long-Term Liabilities**

The School borrowed \$7,756,000 in June 2015 from Peapack-Gladstone Bank (the "Bank"). Of this total, \$7,391,000 was financed through the New Jersey Economic Development Authority ("NJEDA"). The remainder was financed directly through the Bank. The School used the proceeds from these loans to refund its outstanding mortgage debt in the amount of \$7,035,144 and terminate an interest rate swap agreement with its previous lender in the amount of \$616,200. The balance was used to pay closing costs and accrued interest.

The \$7,391,000 loan requires monthly payments of principal and interest through maturity in July 2040 at which time all unpaid principal and interest is due. Interest accrues at a rate of 65 percent of the one-month LIBOR (0.19 percent at June 30, 2015) plus 2.00 percent. The School also entered into an interest rate swap agreement with the Bank for the first twenty years to reduce the impact of changes in the interest rate on this variable rate loan. The notional amount under the interest rate swap decreases as principal payments are made on the loan. The fair market value of the interest rate swap on June 30, 2015 was a liability of \$174,393.

The \$365,000 loan requires monthly payments of principal and interest through maturity in July 2035 at which time all unpaid principal and interest is due. Interest accrues at a rate of the one-month LIBOR (0.19 percent at June 30, 2015) plus 2.00 percent.

In conjunction with the issuance of these loans, the School also entered into a line of credit agreement with the Bank. The line of credit agreement has a maximum borrowing capacity of \$500,000 and expires in June 2016. Interest accrues at the Prime rate (3.25 percent at June 30, 2015). Monthly interest-only payments are due. All unpaid principal and interest is due at maturity. The School did not draw down any amount on the line as of June 30, 2015.

The loans and line of credit are collateralized by all property of the School and an assignment of leases and rents.

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Principal and interest on the loans are as follows for the years ending June 30:

	Principal	Interest	Total
2016	\$ 191,760	\$ 216,255	\$ 408,015
2017	215,433	229,675	445,108
2018	222,144	222,964	445,108
2019	229,064	216,044	445,108
2020	236,200	208,908	445,108
2021-2027	1,872,906	1,242,849	3,115,755
2028-2034	2,322,133	793,622	3,115,755
2035-2041	2,466,360	238,094	2,704,454
Total	<u>\$ 7,756,000</u>	<u>\$ 3,368,411</u>	<u>\$ 11,124,411</u>

Mortgage note payable is liquidated by the general fund. Principal and interest due within one year amount to \$191,760 and \$216,256, respectively.

The loan agreement with the Bank contains a debt service coverage ratio test as follows:

	2015	2014	2013	Average	Use	From
Change in net position	(514,788)	(124,010)	1,421			A-2
Add back:						
Interest	300,679	313,140	327,663			B-2
Depreciation	561,049	558,070	535,290			B-3
EBIDA	<u>346,940</u>	<u>747,200</u>	<u>864,374</u>	652,838	652,838	
Current portion of long-term debt	191,760				191,760	A-1
Interest expense (current reporting period)	300,679				<u>300,679</u>	B-2
					492,439	
Ratio					1.33	
Benchmark					1.05	
Result					Pass	

**Princeton Charter School  
Notes to Financial Statements  
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The refunding of the School's outstanding mortgage debt resulted in a loss on refunding of \$616,200. In accordance with GASB No. 65, the loss is classified as a deferred outflow of resources. The deferred outflow of resources is amortized as a component of interest expense over the shorter of the life of the old or new debt. This deferred outflow of resources will be recognized in interest expense as follows for the years ended June 30:

2016	\$	39,970
2017		39,970
2018		39,970
2019		39,970
2020		39,970
2021-2027		279,790
2028-2034		136,560
2035-2041		--
Total	\$	<u>616,200</u>

**6. Pension Plans**

**Description of Plans**

All required employees of the School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

**Teachers' Pension and Annuity Fund**

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multi-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the School and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

*Summary of Significant Accounting Policies*

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

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

The employer contributions for the School are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the School (employer) does 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 School. However, the state's portion of the net pension liability that was associated with the School was \$13,256,103 as measured on June 30, 2014 and \$11,771,513 as measured on June 30, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$713,303 and revenue of \$713,303 for support provided by the State. The measurement period for the pension expense and revenue reported in the School's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.

Although the School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<b>6/30/2014</b>	<b>6/30/2013</b>
Collective deferred outflows of resources	\$ 2,306,623,861	\$ --
Collective deferred inflows of resources	\$ 1,763,205,593	\$ --
Collective net pension liability (Non-employer: State of New Jersey)	\$ 53,446,745,367	\$ 50,539,213,484
State's portion of the net pension liability that was associated with the School	\$ 13,256,103	\$ 11,771,513
State's portion of the net pension liability that was associated with the School as a percentage of the collective net pension liability	0.024802%	0.023292%

*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 valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.50%
Salary increases:	Varies based on experience
Investment rate of return:	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table 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 2000 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.

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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 plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions 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's target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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-US fixed income	0.00%	1.41%
Inflation-indexed bonds	2.50%	1.30%
Broad US equities	25.90%	5.88%
Large cap US equities	0.00%	5.62%
Mid cap US equities	0.00%	6.39%
Small cap US 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%

*Discount Rate*

The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 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 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 (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Since the School has no proportionate share of the net pension liability because of the special funding situation, the School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**Public Employees' Retirement System**

The Public Employees' Retirement System ("PERS") was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

*Summary of Significant Accounting Policies*

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

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

At June 30, 2015, the School reported a liability of \$560,420 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability 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 valuation as of July 1, 2013. The School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the School's proportion was 0.00299%, which was an increase of 0.00009% from its proportion measured as of June 30, 2013.

**Princeton Charter School**  
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For the year ended June 30, 2015, the School recognized pension expense of \$31,494. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ --	\$ --
Changes of assumptions	17,623	--
Net difference between projected and actual earnings on pension plan investments	--	33,398
Changes in proportion and differences between School contributions and proportionate share of contributions	14,583	--
School contributions subsequent to the measurement date	24,676	--
	<u>\$ 56,882</u>	<u>\$ 33,398</u>

\$24,676 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ended June 30:

2015	\$ (386)
2016	(386)
2017	(386)
2018	(386)
2019	245
Thereafter	107
Total	<u>\$ (1,192)</u>

	<b>6/30/2014</b>	<b>6/30/2013</b>
Collective deferred outflows of resources	\$ 952,194,675	\$ --
Collective deferred inflows of resources	\$ 1,479,224,662	\$ --
Collective net pension liability (Non-state: local group)	\$ 18,722,735,003	\$ 19,111,986,911
School's portion of net pension liability	\$ 560,420	\$ 554,808
School's proportion %	0.00299326%	0.00290293%

*Actuarial Assumptions*

The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	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%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality 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.

**Princeton Charter School**  
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*Long-Term Expected Rate of Return*

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions 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's target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	6.00%	0.80%
Core bonds	1.00%	2.49%
Intermediate-term bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High yield bonds	5.50%	4.82%
Inflation-indexed bonds	2.50%	3.51%
Broad US 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%

*Discount Rate*

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 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 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 on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Princeton Charter School  
Notes to Financial Statements  
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*Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the School's proportionate share of the net pension liability measured as of June 30, 2014, calculated using the discount rate of 5.39%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
School's proportionate share of the net pension liability	\$ 705,027	\$ 560,420	\$ 438,987

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rpts-home.shtml>.

**Defined Contribution Retirement Plan**

The Defined Contribution Retirement Program ("DCRP") was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**PERS and TPAF Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**Significant Legislation**

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System ("PERS") and the Police and Firemen's Retirement System ("PFRS") operate and to the benefit provisions of those systems.

**Princeton Charter School**  
**Notes to Financial Statements**  
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New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. There were increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. There were new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Contribution Requirements**

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 ("PERS") and N.J.S.A. 18:66 ("TPAF") requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

During the year ended June 30, 2015, the State of New Jersey contributed \$364,543 to the TPAF for post-retirement medical benefits and pensions on behalf of the School. Also, in accordance with N.J.S.A. 18A:66-66, the State of New Jersey reimbursed the School \$187,722 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the charter school-wide and fund financial statements.

The School's actuarially determined contributions to PERS for the years ended June 30, 2015, 2014 and 2013 were \$24,676, \$22,050, and \$24,970, respectively, equal to the required contributions for each year.

Employees contribute 5.5% of their contracted salary to the DCRP and employers contribute 3% of the contracted salary. Princeton Charter School contributed to DCRP the amounts as follows: \$5,606, \$2,457 and \$1,393 for the fiscal years ended, June 30, 2015, 2014, and 2013, respectively.

**7. Post-Retirement Benefits**

**Plan Description**

The School contributes to the New Jersey State Health Benefits Program ("SHBP"), a cost-sharing multi-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP provides medical, prescription drug, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents. The State Health Benefits Program Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to Division of Pension and Benefits, PO Box 295, Trenton, NJ 08625-0295.

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2015**

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**Funding Policy**

P.L. 1987, c. 384 and P.L. 1990, c. 6 required Teachers' Pension 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. 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 will set the contribution rate based on the annual required contribution of the employers ("ARC"), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the SHBP Fund for TPAF retirees' post-retirement benefits on behalf of the School for the years ended June 30, 2015, 2014 and 2013 were \$179,052, \$176,265 and \$175,506, respectively, which equaled the required contributions for each year. The State's contributions to the SHBP Fund for PERS retirees' post-retirement benefits on behalf of the School was not determined or made available by the State of New Jersey.

**8. Risk Management**

The 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 School participates in the New Jerseys Insurance Group ERIC North sub fund for its insurance coverage for property, liability, student accident and other types of liabilities and does not retain risk of loss. Under the JIF, the School is assessed an annual premium. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

**New Jersey Unemployment Compensation Insurance**

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

**9. Supplementary Retirement Plan**

The School offers its employees a supplementary retirement plan created in accordance with Internal Revenue Code Section 403(b) and 415. The plan, which is administered by the School and TIAA CREF, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. Participants' rights under the plan are equal to those of general creditors in an amount equal to the fair market value of the deferred account of each participant. The School has no liability for losses under the plan.

**10. Inter-Fund Receivables and Payables**

There are no inter-fund receivables or payables as of June 30, 2015.

**Princeton Charter School  
Notes to Financial Statements  
June 30, 2015**

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**11. Economic Dependency**

The School receives a substantial amount of its support from local and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the School's programs and activities.

**12. Contingent Liabilities**

The School is involved in an administrative appeal and notice of tort claim concerning a student disciplinary decision incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the School.

**13. Transfers**

No transfers between funds occurred in the current year.

**14. Restricted Assets**

The School does not have any restricted assets.

**15. Commitments**

The School has a commitment for a janitorial service contract which expires June 30, 2016. The contract is an extension of a \$71,800 annual contract awarded in February 2013 which has been increased by the LPCL Current Index Rate at June 30, 2014, which was 1.5%.

The School has a commitment for a lunch service contract which expired June 30, 2016. The contract is based on the number of lunches ordered, but is expected to cost approximately \$60,100.

The School leases office space to the Princeton Symphony Orchestra. The office space is located in the Marsee Center (business office) on the School's campus. The current lease expires on July 14, 2020. The monthly rental income for the current period is \$1,800 and increases slightly each year.

**16. Operating Lease**

The School leases photocopiers for the school building and the business office under leases expiring at various points through May 2019. Future lease payments are as follows:

<b>Year</b>	<b>Amount</b>
2016	\$ 21,452
2017	\$ 21,452
2018	\$ 21,452
2019	\$ 19,067
	<u>\$ 83,423</u>

**Princeton Charter School**  
**Notes to Financial Statements**  
**June 30, 2015**

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**17. Retroactive Restatement of Net Position**

The School adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the School to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning net position of the School was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 6), the restatement adjustments to net position relate to the beginning net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, the School restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

**Governmental Activities Net Position:**

Net Position (per A-1), June 30, 2014	\$ 5,306,633
Restatement of Net Pension Liability	(554,808)
Restatement of Pension Deferred Outflows	<u>24,690</u>
Net Position (per A-1), June 30, 2014, as restated	<u><u>\$ 4,776,515</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**Princeton Charter School  
Budgetary Comparison Schedule – Budgetary Basis  
General Fund  
Year Ended June 30, 2015**

**Exhibit C-1  
Page 1 of 2**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
<b>Local Sources</b>					
Equalization aid	\$ 4,899,986	\$ (69,621)	\$ 4,830,365	4,819,869	\$ (10,496)
Grants and contributions not restricted to specific programs	--	--	--	50,000	50,000
Miscellaneous	35,000	5,000	40,000	48,977	8,977
<b>Total Local Sources</b>	<u>4,934,986</u>	<u>(64,621)</u>	<u>4,870,365</u>	<u>4,918,846</u>	<u>48,481</u>
<b>State Sources</b>					
Adjustment aid	305,892	49,416	355,308	353,450	(1,858)
Security aid	25,732	(756)	24,976	24,919	(57)
Special education aid	60,215	(12,035)	48,180	48,180	--
Non-public aid	--	79,147	79,147	79,147	--
TPAF - pension contribution (on-behalf non-budgeted)	--	--	--	364,543	364,543
TPAF - social security (reimbursed- non-budgeted)	--	--	--	187,722	187,722
<b>Total State Sources</b>	<u>391,839</u>	<u>115,772</u>	<u>507,611</u>	<u>1,057,961</u>	<u>550,350</u>
<b>Total Revenues</b>	<u>5,326,825</u>	<u>51,151</u>	<u>5,377,976</u>	<u>5,976,807</u>	<u>598,831</u>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of teachers	2,132,389	8,771	2,141,160	2,149,781	(8,621)
Other salaries for instruction	191,745	(55,245)	136,500	260,089	(123,589)
Purchased professional / technical services	15,000	3,000	18,000	34,233	(16,233)
Other purchased services	28,000	(6,000)	22,000	21,861	139
General supplies	120,000	(25,000)	95,000	96,968	(1,968)
Textbooks	45,000	(7,000)	38,000	31,275	6,725
Miscellaneous expenses	15,000	(6,500)	8,500	4,142	4,358
<b>Total Instructional Expenses</b>	<u>2,547,134</u>	<u>(87,974)</u>	<u>2,459,160</u>	<u>2,598,349</u>	<u>(139,189)</u>
<b>Administrative</b>					
Salaries - administrative	382,000	300	382,300	382,300	--
Salaries - secretarial and clerical assistants	208,200	(3,150)	205,050	214,151	(9,101)
Total benefit costs	598,003	(8,003)	590,000	599,962	(9,962)
Purchased professional / technical services	105,000	(1,500)	103,500	103,911	(411)
Other purchased services	113,939	--	113,939	138,617	(24,678)
Communications / telephone	20,000	(850)	19,150	19,343	(193)
General supplies	15,000	--	15,000	15,650	(650)
Mortgage note payments - interest	296,151	--	296,151	300,679	(4,528)
Miscellaneous expenditures	51,500	--	51,500	56,931	(5,431)
<b>Total Administrative Expenses</b>	<u>1,789,793</u>	<u>(13,203)</u>	<u>1,776,590</u>	<u>1,831,544</u>	<u>(54,954)</u>

**Princeton Charter School  
Budgetary Comparison Schedule – Budgetary Basis  
General Fund  
Year Ended June 30, 2015**

**Exhibit C-1  
Page 2 of 2**

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual</b>
<b>Support Services</b>					
Salaries	\$ 391,600	\$ 32,400	\$ 424,000	335,333	\$ 88,667
Purchased professional / technical services	177,600	--	177,600	233,459	(55,859)
Other purchased services	56,000	--	56,000	53,120	2,880
Insurance for property, liability, and fidelity	43,000	780	43,780	43,777	3
Supplies and materials	60,000	--	60,000	68,187	(8,187)
Transportation - other than to/from school	15,000	--	15,000	12,446	2,554
Energy (energy and electricity)	118,500	(3,000)	115,500	111,602	3,898
<b>Total Support Services</b>	<b>861,700</b>	<b>30,180</b>	<b>891,880</b>	<b>857,924</b>	<b>33,956</b>
<b>ON-BEHALF CONTRIBUTIONS</b>					
TPAF - pension contribution (on-behalf non-budgeted)	--	--	--	364,543	(364,543)
TPAF - social security (reimbursed non-budgeted)	--	--	--	187,722	(187,722)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>552,265</b>	<b>(552,265)</b>
<b>CAPITAL OUTLAY</b>					
Instructional equipment	10,000	(9,000)	1,000	--	1,000
Non-instructional equipment	10,000	(5,000)	5,000	5,672	(672)
Purchase land / improvements	102,775	(82,775)	20,000	31,481	(11,481)
Mortgage note payments - principal	324,892	--	324,892	323,818	1,074
<b>TOTAL CAPITAL OUTLAY</b>	<b>447,667</b>	<b>(96,775)</b>	<b>350,892</b>	<b>360,971</b>	<b>(10,079)</b>
<b>TOTAL EXPENDITURES</b>	<b>5,646,294</b>	<b>(167,772)</b>	<b>5,478,522</b>	<b>6,201,053</b>	<b>(722,531)</b>
<b>(Deficiency) Excess of Revenues Over Expenditures</b>	<b>(319,469)</b>	<b>218,923</b>	<b>(100,546)</b>	<b>(224,246)</b>	<b>(123,700)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	--	--	--	720,855	(720,855)
Debt issuance costs	--	--	--	(92,141)	92,141
Loss on refunding	--	--	--	(616,200)	616,200
Mortgage note payments - interest	--	--	--	(12,514)	12,514
<b>TOTAL OTHER FINANCES SOURCES (USES)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>(Deficiency) Excess of Revenues and Other Financing Sources (Under) Over Expenditures and Other Financing Uses</b>	<b>(319,469)</b>	<b>218,923</b>	<b>(100,546)</b>	<b>(224,246)</b>	<b>(123,700)</b>
<b>Fund Balance, July 1</b>	<b>80,689</b>	<b>78,145</b>	<b>158,834</b>	<b>487,216</b>	<b>328,382</b>
<b>Fund Balance, June 30</b>	<b>\$ (238,780)</b>	<b>\$ 297,068</b>	<b>\$ 58,288</b>	<b>\$ 262,970</b>	<b>\$ 204,682</b>
<b>Recapitulation:</b>					
Assigned Fund Balance				\$ --	
Unassigned Fund Balance				262,970	
<b>Fund Balance per Governmental Funds (GAAP)</b>				<b>\$ 262,970</b>	

**Princeton Charter School  
 Budgetary Comparison Schedule – Budgetary Basis  
 Special Revenue Fund  
 Year Ended June 30, 2015**

Exhibit C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
Local sources	\$ 5,000	\$ --	\$ 5,000	\$ 130,607	\$ 125,607
Federal sources	51,506	1,575	53,081	53,081	--
<b>Total Revenues</b>	<b>56,506</b>	<b>1,575</b>	<b>58,081</b>	<b>183,688</b>	<b>125,607</b>
<b>EXPENDITURES:</b>					
Support services					
Purchased professional - educational services	47,429	1,584	49,013	54,013	5,000
Other purchased professional services	4,077	(9)	4,068	26,082	22,014
Supplies and materials	--	--	--	76,267	76,267
Equipment	5,000	--	5,000	27,326	22,326
<b>Total Expenditures</b>	<b>56,506</b>	<b>1,575</b>	<b>58,081</b>	<b>183,688</b>	<b>125,607</b>
<b>Excess of Revenues Over Expenditures</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>

**Princeton Charter School  
Budget-to-GAAP Reconciliation and  
Notes to Required Supplementary Information  
Year Ended June 30, 2015**

**Exhibit C-3**

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

	General Fund	Special Revenue Fund
	<u>                    </u>	<u>                    </u>
<b>Sources / inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 5,976,807	\$ 183,688
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 5,976,807</u>	<u>\$ 183,688</u>
<b>Uses / outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 6,201,053	\$ 156,674
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,201,053</u>	<u>\$ 156,674</u>

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. 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 made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions on the annual budgets during the year).

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

The accounting records of 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

**Princeton Charter School**  
**Schedule of the School's Proportionate Share of the Net Pension Liability**  
**Last Ten Fiscal Years\***

**Exhibit C-4**

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

	Fiscal Year Ending June 30,										
	2005	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
School's proportion of the net pension liability (asset) **										N/A	N/A
School's proportionate share of the net pension liability (asset) **										N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the School										\$ 11,771,513	\$ 13,256,103
Total										\$ 11,771,513	\$ 13,256,103
School's covered employee payroll										\$ 2,474,124	\$ 2,563,929
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll										N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability										33.76%	33.64%

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the School (employer) does not contribute directly to the plan, there is no net pension liability to report in the financial statements of the School.

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

	Fiscal Year Ending June 30,										
	2005	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
School's proportion of the net pension liability (asset) **										0.002902%	0.002993%
School's proportionate share of the net pension liability (asset) **										\$ 554,808	\$ 560,420
School's covered employee payroll										\$ 213,250	\$ 207,000
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll										260.17%	270.73%
Plan fiduciary net position as a percentage of the total pension liability										48.72%	52.08%

\* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Princeton Charter School  
 Schedule of School Contributions  
 Last Ten Fiscal Years\*

Exhibit C-5

Teachers' Pension and Annuity Fund (TPAF)

	Fiscal Year Ending June 30,										
	2005	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Contractually required contribution **										N/A	N/A
Contributions in relation to the contractually required contribution **										N/A	N/A
Contribution deficiency (excess)										N/A	N/A
School's covered employee payroll										\$ 2,474,124	\$ 2,563,929
Contributions as a percentage of covered-employee payroll										N/A	N/A

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The School does not contribute to the plan.

Public Employees' Retirement System (PERS)

	Fiscal Year Ending June 30,										
	2005	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Contractually required contribution										\$ 24,970	\$ 22,050
Contributions in relation to the contractually required contribution										\$ (24,970)	\$ (22,050)
Contribution deficiency (excess)										\$ --	\$ --
School's covered employee payroll										\$ 213,250	\$ 207,000
Contributions as a percentage of covered-employee payroll										0.117092614	0.106521739

\* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Princeton Charter School  
Notes to Required Supplementary Information  
Pension Schedules  
Year Ended June 30, 2015**

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

*Changes of Benefit Terms*

The vesting and benefit provisions 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 twenty-five years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

*Changes of Assumptions*

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table 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 2000 until the valuation date plus fifteen 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 seven years to account for future mortality improvement.

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

*Changes of Benefit Terms*

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 twenty-five years of service or under the disability provisions of PERS.

*Changes of Assumptions*

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

**OTHER SUPPLEMENTARY INFORMATION**

**SCHOOL BASED BUDGET SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

**Princeton Charter School  
Special Revenue Fund  
Combining Schedule of Revenue and Expenditures – Budgetary Basis  
Year Ended June 30, 2015**

Exhibit E-1

	<b>NCLB</b>	<b>IDEA</b>	<b>IDEA</b>	<b>NJIG</b>	<b>Total</b>
	<b>Title II Part A</b>	<b>Basic</b>	<b>Preschool</b>	<b>Safety Grant</b>	<b>6/30/2015</b>
<b>REVENUES</b>					
Local sources	\$ --	\$ --	\$ --	\$ 5,000	\$ 5,000
Federal sources	4,068	48,106	907	--	53,081
<b>Total Revenues</b>	<b>\$ 4,068</b>	<b>\$ 48,106</b>	<b>\$ 907</b>	<b>\$ 5,000</b>	<b>\$ 58,081</b>
<b>EXPENDITURES</b>					
Support services:					
Purchased professional - educational services	\$ --	\$ 48,106	\$ 907	\$ --	\$ 49,013
Other purchased professional services	4,068	--	--	--	4,068
Equipment	--	--	--	103,593	103,593
<b>Total Expenditures</b>	<b>\$ 4,068</b>	<b>\$ 48,106</b>	<b>\$ 907</b>	<b>\$ 103,593</b>	<b>\$ 156,674</b>

**CAPITAL PROJECTS FUND  
(NOT APPLICABLE)**

**PROPRIETARY FUNDS**

**ENTERPRISE FUND**

**Princeton Charter School  
Enterprise Fund  
Combining Statement of Net Position  
June 30, 2015**

**Exhibit G-1**

	<b>Food Service</b>	<b>After School Program</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 910	\$ --	\$ 910
Other receivables	888	7,957	8,845
Receivables from other governments	656	--	656
Total current assets	<u>2,454</u>	<u>7,957</u>	<u>10,411</u>
Noncurrent assets:			
Equipment	18,820	--	18,820
Less: Accumulated depreciation	(3,535)	--	(3,535)
Total capital assets, net	<u>15,285</u>	<u>--</u>	<u>15,285</u>
Total assets	<u>17,739</u>	<u>7,957</u>	<u>25,696</u>
<b>LIABILITIES</b>			
Current liabilities:			
Cash overdraft	--	508	508
Unearned revenue	8,142	--	8,142
Total current liabilities	<u>8,142</u>	<u>508</u>	<u>8,650</u>
<b>NET POSITION</b>			
Invested in capital assets net of related debt	15,285	--	15,285
Unrestricted	(5,688)	7,449	1,761
Total net position	<u>\$ 9,597</u>	<u>\$ 7,449</u>	<u>\$ 17,046</u>

**Princeton Charter School  
Enterprise Fund  
Combining Statement of Revenue, Expenses and Changes in Fund Net Position  
Year Ended June 30, 2015**

Exhibit G-2

	<u>Food Service</u>	<u>After School Program</u>	<u>Chess Program</u>	<u>After School Clubs</u>	<u>Total Enterprise</u>
Operating revenues:					
Charges for services:					
School lunch program	\$ 76,945	\$ --	\$ --	\$ --	\$ 76,945
Miscellaneous program revenue	2	64,092	8,551	4,502	77,147
Total operating revenues	<u>76,947</u>	<u>64,092</u>	<u>8,551</u>	<u>4,502</u>	<u>154,092</u>
Operating expenses:					
Cost of sales	72,557	--	--	--	72,557
Salaries	20,600	50,226	13,686	10,275	94,787
Miscellaneous program expense	--	--	--	371	371
Professional services	--	--	--	7,898	7,898
General supplies and materials	--	2,616	--	--	2,616
Depreciation	1,255	--	--	--	1,255
Total operating expenses	<u>94,412</u>	<u>52,842</u>	<u>13,686</u>	<u>18,544</u>	<u>179,484</u>
Operating (loss) income	<u>(17,465)</u>	<u>11,250</u>	<u>(5,135)</u>	<u>(14,042)</u>	<u>(25,392)</u>
Non-operating revenue:					
State sources:					
State school lunch program	674	--	--	--	674
Federal sources:					
National school lunch program	7,701	--	--	--	7,701
Local sources:					
Friends of PCS	--	--	--	10,700	10,700
Total non-operating revenue	<u>8,375</u>	<u>--</u>	<u>--</u>	<u>10,700</u>	<u>19,075</u>
(Loss) income before transfers	<u>(9,090)</u>	<u>11,250</u>	<u>(5,135)</u>	<u>(3,342)</u>	<u>(6,317)</u>
Transfers (out) in	<u>--</u>	<u>(8,477)</u>	<u>5,135</u>	<u>3,342</u>	<u>--</u>
Change in net position	<u>(9,090)</u>	<u>2,773</u>	<u>--</u>	<u>--</u>	<u>(6,317)</u>
Total net position - beginning	<u>18,687</u>	<u>4,676</u>	<u>--</u>	<u>--</u>	<u>23,363</u>
Total net position - ending	<u>\$ 9,597</u>	<u>\$ 7,449</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 17,046</u>

**Princeton Charter School  
Enterprise Fund  
Combining Statement of Cash Flows  
Year Ended June 30, 2015**

Exhibit G-3

	<b>Food Service</b>	<b>After-School Program</b>	<b>Chess Program</b>	<b>After-School Clubs</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 78,221	\$ 59,866	\$ 8,551	\$ 4,502	\$ 151,140
Payments to employees	(20,600)	(50,226)	(13,686)	(10,275)	(94,787)
Payments to suppliers	(72,557)	(2,108)	--	(8,269)	(82,934)
Net cash (used) provided by operating activities	<u>(14,936)</u>	<u>7,532</u>	<u>(5,135)</u>	<u>(14,042)</u>	<u>(26,581)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>					
State sources	702	--	--	--	702
Federal sources	7,590	--	--	--	7,590
Local sources	--	--	--	10,700	10,700
Cash received (paid) via operating transfers	--	(8,477)	5,135	3,342	--
Net cash provided (used) by non-capital financing activities	<u>8,292</u>	<u>(8,477)</u>	<u>5,135</u>	<u>14,042</u>	<u>18,992</u>
Net change in cash and cash equivalents	(6,644)	(945)	--	--	(7,589)
Balances—beginning of year	7,554	945	--	--	8,499
Balances—end of year	<u>\$ 910</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 910</u>
<b>Reconciliation of operating (loss) income to net cash (used) provided by operating activities:</b>					
Operating (loss) income	\$ (17,465)	\$ 11,250	\$ (5,135)	\$ (14,042)	\$ (25,392)
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities					
Depreciation	1,255	--	--	--	1,255
Change in cash overdraft	--	508	--	--	508
Change in unearned revenue	1,406	--	--	--	1,406
Change in accounts receivable	(132)	(4,226)	--	--	(4,358)
Net cash (used) provided by operating activities	<u>\$ (14,936)</u>	<u>\$ 7,532</u>	<u>\$ (5,135)</u>	<u>\$ (14,042)</u>	<u>\$ (26,581)</u>

**INTERNAL SERVICE FUND  
(NOT APPLICABLE)**

**FIDUCIARY FUNDS**

**Princeton Charter School**  
**Fiduciary Funds**  
**Combining Statement of Fiduciary Net Position**  
**June 30, 2015**

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**Exhibit H-1**

	Trust	Agency
	Unemployment	Payroll
	Trust Fund	
<b>Assets</b>		
Cash and cash equivalents	\$ 86	\$ 2,726
<b>Liabilities</b>		
Prepaid employee FSA claims	--	2,726
<b>Net Position</b>		
Held in trust for unemployment claims	<u>\$ 86</u>	<u>\$ --</u>

**Princeton Charter School  
Payroll Agency Fund  
Schedule of Cash Receipt and Cash Disbursements  
Year Ended June 30, 2015**

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**Exhibit H-4**

ASSETS	<u>Balance June 30, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2015</u>
Cash and cash equivalents	\$ 4,221	\$ 3,714,564	\$ 3,716,059	\$ 2,726
LIABILITIES				
Accounts payable	\$ --	\$ --	\$ --	\$ --
Held in reserve for FSA claims	4,221	9,251	10,746	2,726
Payroll deductions and withholdings	--	3,705,313	3,705,313	--
Total liabilities	<u>\$ 4,221</u>	<u>\$ 3,714,564</u>	<u>\$ 3,716,059</u>	<u>\$ 2,726</u>

**LONG-TERM DEBT  
(NOT APPLICABLE)**

## STATISTICAL SECTION

This part of the School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School's overall financial health.

### **Financial Trends**

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

J-1 thru J-5

### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

### **Debt Capacity**

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

J-10 thru J-13

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

### **Operating Information**

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-21

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

**Princeton Charter School**  
**Net Position by Component,**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(accrual basis of accounting)*

Exhibit J-1

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 3,301,165	\$ 3,525,026	\$ 4,111,298	\$ 2,225,967	\$ 5,242,157	\$ 5,121,531	\$ 5,004,850	\$ 4,957,173	\$ 4,819,417	\$ 3,925,810
Restricted	--	--	--	2,749,947	134,626	--	--	--	--	--
Unrestricted	191,685	59,908	105,796	77,418	131,891	151,389	441,515	471,291	487,216	342,234
<b>Total governmental activities net position</b>	<b>\$ 3,492,850</b>	<b>\$ 3,584,934</b>	<b>\$ 4,217,094</b>	<b>\$ 5,053,332</b>	<b>\$ 5,508,674</b>	<b>\$ 5,272,920</b>	<b>\$ 5,446,365</b>	<b>\$ 5,428,464</b>	<b>\$ 5,306,633</b>	<b>\$ 4,268,044</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 1,429	\$ 1,105	\$ 781	\$ 457	\$ 133	\$ --	\$ --	\$ 17,795	\$ 16,540	\$ 15,285
Restricted	--	--	--	--	--	--	--	--	--	--
Unrestricted	3,605	18,638	33,001	24,767	11,286	4,747	6,492	7,747	6,823	1,761
<b>Total business-type activities net position</b>	<b>\$ 5,034</b>	<b>\$ 19,743</b>	<b>\$ 33,782</b>	<b>\$ 25,224</b>	<b>\$ 11,419</b>	<b>\$ 4,747</b>	<b>\$ 6,492</b>	<b>\$ 25,542</b>	<b>\$ 23,363</b>	<b>\$ 17,046</b>
<b>Government-wide</b>										
Invested in capital assets, net of related debt	\$ 3,302,594	\$ 3,526,131	\$ 4,112,079	\$ 2,226,424	\$ 5,242,290	\$ 5,121,531	\$ 5,004,850	\$ 4,974,968	\$ 4,835,957	\$ 3,941,095
Restricted	--	--	--	2,749,947	134,626	--	--	--	--	--
Unrestricted	195,290	78,546	138,797	102,185	143,177	156,136	448,007	479,038	494,039	343,995
<b>Total school net position</b>	<b>\$ 3,497,884</b>	<b>\$ 3,604,677</b>	<b>\$ 4,250,876</b>	<b>\$ 5,078,556</b>	<b>\$ 5,520,093</b>	<b>\$ 5,277,667</b>	<b>\$ 5,452,857</b>	<b>\$ 5,454,006</b>	<b>\$ 5,329,996</b>	<b>\$ 4,285,090</b>

Source: Schedule A-1 and School records

Note: GASB 63 was implemented during the 2014 fiscal year, which required reclassification of balances previously reported as net assets to net position.

**Princeton Charter School**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(accrual basis of accounting)*

**Exhibit J-2**  
**Page 1 of 2**

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 2,172,846	\$ 2,423,580	\$ 2,614,650	\$ 2,663,732	\$ 2,971,546	\$ 2,685,878	\$ 2,949,759	\$ 3,137,509	\$ 3,189,500	\$ 3,618,617
Special education	41,801	40,062	--	--	--	--	--	--	--	--
Other instruction	320	320	23,503	30,668	59,775	59,986	59,722	--	--	--
Support Services										
Student & instruction related services	25,044	27,925	87,640	72,543	88,880	100,400	81,823	233,646	326,853	560,201
School administrative services	5,313	2,108	--	--	--	--	--	--	--	--
General administrative services	373,889	424,787	559,425	690,588	647,099	1,047,591	1,023,426	1,083,136	1,110,063	1,228,372
Plant operations and maintenance	400,927	747,166	445,182	624,803	611,299	483,691	617,157	580,042	634,119	695,803
Pupil transportation	17,414	12,910	16,387	20,879	25,654	13,594	12,518	10,157	14,222	12,446
Interest on long-term debt	269,449	252,357	228,195	468,286	60,394	352,690	339,570	327,663	313,140	313,193
Sinking fund	--	--	--	238,140	394,915	--	--	--	--	--
Unallocated depreciation	185,823	193,889	200,432	240,594	297,646	474,303	486,583	490,996	496,918	496,953
Total governmental activities expenses	<u>3,492,826</u>	<u>4,125,104</u>	<u>4,175,414</u>	<u>5,050,233</u>	<u>5,157,208</u>	<u>5,218,133</u>	<u>5,570,558</u>	<u>5,863,149</u>	<u>6,084,815</u>	<u>6,925,585</u>
Business-type activities:										
Food service	54,489	85,955	89,850	101,230	114,095	127,178	120,753	59,438	96,982	94,412
Chess program	--	--	--	--	--	--	12,250	17,950	11,850	13,686
Summer camps	--	--	--	--	--	--	13,151	19,367	--	--
After school program	27,491	29,010	24,042	49,178	50,608	46,316	34,146	33,227	43,715	52,842
After school clubs	--	--	--	--	--	--	--	7,100	12,490	18,544
Total business-type activities expense	<u>81,980</u>	<u>114,965</u>	<u>113,892</u>	<u>150,408</u>	<u>164,703</u>	<u>173,494</u>	<u>180,300</u>	<u>137,082</u>	<u>165,037</u>	<u>179,484</u>
Total school expenses	<u>\$ 3,574,806</u>	<u>\$ 4,240,069</u>	<u>\$ 4,289,306</u>	<u>\$ 5,200,641</u>	<u>\$ 5,321,911</u>	<u>\$ 5,391,627</u>	<u>\$ 5,750,858</u>	<u>\$ 6,000,231</u>	<u>\$ 6,249,852</u>	<u>\$ 7,105,069</u>
<b>Program Revenues</b>										
Governmental activities:										
Operating grants and contributions	\$ 194,942	\$ 197,958	\$ 313,934	\$ 249,844	\$ 378,230	\$ 486,230	\$ 465,918	\$ 608,485	\$ 554,157	\$ 1,132,893
Capital grants and contributions	--	--	--	769,832	690,029	--	--	--	--	--
Total governmental activities program revenues	<u>194,942</u>	<u>197,958</u>	<u>313,934</u>	<u>1,019,676</u>	<u>1,068,259</u>	<u>486,230</u>	<u>465,918</u>	<u>608,485</u>	<u>554,157</u>	<u>1,132,893</u>
Business-type activities:										
Charges for services										
Food service	\$ 38,177	\$ 51,390	\$ 58,560	\$ 73,512	\$ 90,780	\$ 109,891	\$ 108,007	\$ 37,104	\$ 74,650	\$ 76,947
Chess program	--	--	--	--	--	--	10,871	10,881	7,982	8,551
Summer camp	--	--	--	--	--	--	13,151	19,367	--	--
After school program	14,486	29,681	39,651	49,130	49,222	47,905	41,364	46,811	58,519	64,092
After school clubs	--	--	--	--	--	--	--	7,100	12,088	4,502
Operating grants and contributions	8,865	9,603	9,720	10,398	10,896	9,026	8,653	4,870	9,619	8,375
Total business type activities program revenues	<u>61,528</u>	<u>90,674</u>	<u>107,931</u>	<u>133,040</u>	<u>150,898</u>	<u>166,822</u>	<u>182,046</u>	<u>126,133</u>	<u>162,858</u>	<u>162,467</u>
Total school program revenues	<u>\$ 256,470</u>	<u>\$ 288,632</u>	<u>\$ 421,865</u>	<u>\$ 1,152,716</u>	<u>\$ 1,219,157</u>	<u>\$ 653,052</u>	<u>\$ 647,964</u>	<u>\$ 734,618</u>	<u>\$ 717,015</u>	<u>\$ 1,295,360</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (3,297,884)	\$ (3,927,146)	\$ (3,861,480)	\$ (4,030,557)	\$ (4,088,949)	\$ (4,731,903)	\$ (5,104,640)	\$ (5,254,664)	\$ (5,530,658)	\$ (5,792,692)
Business-type activities	(20,452)	(24,291)	(5,961)	(17,458)	(13,805)	(6,672)	1,746	(10,949)	(2,179)	(17,017)
Total school-wide net expense	<u>\$ (3,318,336)</u>	<u>\$ (3,951,437)</u>	<u>\$ (3,867,441)</u>	<u>\$ (4,048,015)</u>	<u>\$ (4,102,754)</u>	<u>\$ (4,738,575)</u>	<u>\$ (5,102,894)</u>	<u>\$ (5,265,613)</u>	<u>\$ (5,532,837)</u>	<u>\$ (5,809,709)</u>

**Princeton Charter School**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 2,308,088	\$ 2,397,684	\$ 2,542,263	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Local property taxes - charter school aid	--	--	--	4,427,325	4,369,487	4,244,470	4,446,092	4,571,071	4,675,523	4,819,869
State share	1,226,002	1,619,154	1,941,611	434,848	149,697	230,994	803,033	666,216	563,152	457,516
Investment earnings	14,970	26,739	17,198	17,037	10,393	1,470	--	--	--	--
Grants and contributions not restricted to specific programs	--	--	--	--	--	--	--	--	125,000	50,000
Miscellaneous income	28,614	13,753	12,568	50,283	14,714	19,216	28,690	29,746	45,152	48,977
Special item - cancellation of account payable	47,000	--	--	--	--	--	--	--	--	--
Transfers	(5,000)	(39,000)	(20,000)	(8,900)	--	--	--	(30,000)	--	--
Total governmental activities	3,619,674	4,018,330	4,493,640	4,920,593	4,544,291	4,496,150	5,277,815	5,237,033	5,408,827	5,376,362
Business-type activities:										
Transfers	5,000	39,000	20,000	8,900	--	--	--	30,000	--	--
Total school-wide	<u>\$ 3,624,674</u>	<u>\$ 4,057,330</u>	<u>\$ 4,513,640</u>	<u>\$ 4,929,493</u>	<u>\$ 4,544,291</u>	<u>\$ 4,496,150</u>	<u>\$ 5,277,815</u>	<u>\$ 5,267,033</u>	<u>\$ 5,408,827</u>	<u>\$ 5,376,362</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 321,790	\$ 91,184	\$ 632,160	\$ 890,036	\$ 455,342	\$ (235,753)	\$ 173,175	\$ (17,631)	\$ (121,831)	\$ (416,330)
Business-type activities	(15,452)	14,709	14,039	(8,558)	(13,805)	(6,672)	1,746	19,051	(2,179)	(17,017)
Total school	<u>\$ 306,338</u>	<u>\$ 105,893</u>	<u>\$ 646,199</u>	<u>\$ 881,478</u>	<u>\$ 441,537</u>	<u>\$ (242,425)</u>	<u>\$ 174,921</u>	<u>\$ 1,420</u>	<u>\$ (124,010)</u>	<u>\$ (433,347)</u>

Source: Schedule A-2 and School records

**Princeton Charter School**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved	\$ 25,000	\$ 25,000	\$ 25,000	\$ 18,000	\$ 118,899	\$ --	\$ --	\$ --	\$ --	\$ --
Unreserved	187,126	54,069	89,378	59,418	12,992	--	--	--	--	--
Assigned	--	--	--	--	--	19,500	219,500	--	--	--
Unassigned	--	--	--	--	--	131,889	222,015	471,291	487,216	262,970
Total general fund	<u>\$ 212,126</u>	<u>\$ 79,069</u>	<u>\$ 114,378</u>	<u>\$ 77,418</u>	<u>\$ 131,891</u>	<u>\$ 151,389</u>	<u>\$ 441,515</u>	<u>\$ 471,291</u>	<u>\$ 487,216</u>	<u>\$ 262,970</u>
All other governmental funds										
Capital projects fund	\$ --	\$ --	\$ --	\$ 4,522,811	\$ 134,626	\$ --	\$ --	\$ --	\$ --	\$ --

Source: Schedule B-1 and School records

**Notes:**

GASB 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications than those presented in prior years. Prior years have not been restated above, nor are they required to be restated.

**Princeton Charter School**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(modified accrual basis of accounting)*

Exhibit J-4

	Fiscal Year Ending June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Equalization aid	\$ 2,308,088	\$ 2,397,684	\$ 2,543,431	\$ 4,427,325	\$ 4,369,487	\$ 4,244,470	\$ 4,446,092	\$ 4,571,071	\$ 4,675,523	\$ 4,819,869
Interest earnings	14,970	26,739	17,198	17,037	10,393	1,470	--	--	--	--
Sinking fund	--	--	--	239,124	--	--	--	--	--	--
Donations	250	--	--	--	--	--	--	--	--	--
Grants and contributions not restricted to specific programs	--	--	--	--	--	--	--	--	125,000	50,000
Miscellaneous	28,364	13,753	12,568	589,994	309,828	19,216	33,690	29,746	45,152	179,584
State sources	1,359,847	1,764,219	2,200,237	748,368	475,375	595,314	1,212,445	1,222,265	1,067,241	1,057,961
Federal sources	61,097	52,893	54,140	45,885	52,552	121,910	51,506	52,436	50,068	53,081
<b>Total revenue</b>	<b>3,772,616</b>	<b>4,255,288</b>	<b>4,827,574</b>	<b>6,067,733</b>	<b>5,217,635</b>	<b>4,982,380</b>	<b>5,743,733</b>	<b>5,875,518</b>	<b>5,962,984</b>	<b>6,160,495</b>
<b>Expenditures</b>										
Instruction										
Regular instruction	1,875,119	2,099,224	2,150,635	2,300,142	2,453,948	2,176,734	2,354,910	2,389,177	2,508,190	2,598,349
Special education instruction	41,801	40,062	--	--	--	--	--	--	--	--
Support services										
Student and instruction related services	--	--	44,773	30,997	45,718	56,397	51,506	182,090	194,568	364,256
General administrative services	346,020	396,163	523,044	625,141	550,987	872,090	830,304	873,232	902,924	930,903
Plant operations and maintenance	385,798	731,889	432,869	603,720	575,829	453,840	583,396	535,571	591,654	637,584
Pupil transportation	12,358	7,854	11,331	15,823	20,598	10,515	12,518	10,157	14,222	12,446
Employee benefits	318,169	345,470	512,125	572,027	692,631	756,398	862,787	494,891	542,113	599,962
On Behalf Contributions	--	--	--	--	--	--	--	515,078	459,934	552,265
Construction	--	--	--	--	3,335,100	136,096	--	--	--	--
Construction in progress	--	--	--	3,148,953	--	--	--	--	--	--
Capital outlay	107,062	203,603	63,685	309,018	438,193	119,071	131,359	188,922	109,173	64,479
Debt service										
Mortgage payments-principal	244,767	271,443	795,029	183,157	--	163,677	287,258	298,961	311,141	323,818
Interest on mortgage note payable	271,628	253,637	238,774	476,868	60,394	352,690	339,570	327,663	313,140	300,679
<b>Total expenditures</b>	<b>3,602,722</b>	<b>4,349,345</b>	<b>4,772,265</b>	<b>8,265,846</b>	<b>8,173,398</b>	<b>5,097,508</b>	<b>5,453,608</b>	<b>5,815,742</b>	<b>5,947,059</b>	<b>6,384,741</b>
Excess (deficiency) of revenues over (under) expenditures	169,894	(94,057)	55,309	(2,198,113)	(2,955,763)	(115,128)	290,125	59,776	15,925	(224,246)
<b>Other financing sources (uses)</b>										
Special item- cancellation of accounts payable	47,000	--	--	--	--	--	--	--	--	--
Loan proceeds	--	--	--	4,920,000	--	--	--	--	--	720,855
Debt issuance costs	--	--	--	--	--	--	--	--	--	(92,141)
Loss on refunding	--	--	--	--	--	--	--	--	--	(616,200)
Mortgage note payments - interest	--	--	--	--	--	--	--	--	--	(12,514)
Transfers in	86,662	--	--	80,000	29,750	--	--	--	--	--
Transfers out	(91,662)	(39,000)	(20,000)	(88,900)	(29,750)	--	--	(30,000)	--	--
<b>Total other financing sources (uses)</b>	<b>42,000</b>	<b>(39,000)</b>	<b>(20,000)</b>	<b>4,911,100</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>(30,000)</b>	<b>--</b>	<b>--</b>
<b>Net change in fund balances</b>	<b>\$ 211,894</b>	<b>\$ (133,057)</b>	<b>\$ 35,309</b>	<b>\$ 2,712,987</b>	<b>\$ (2,955,763)</b>	<b>\$ (115,128)</b>	<b>\$ 290,125</b>	<b>\$ 29,776</b>	<b>\$ 15,925</b>	<b>\$ (224,246)</b>
Debt service as a percentage of non-capital expenditures	17.33%	14.50%	28.13%	16.03%	1.39%	11.94%	13.35%	12.53%	11.97%	10.96%

**Princeton Charter School**  
**General Fund - Other Local Revenue by Source**  
**Last Ten Fiscal Years**  
**Unaudited**  
*(modified accrual basis of accounting)*

**Exhibit J-5**

Fiscal Year Ending June 30,	Equalization Aid	Interest on Investments	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Annual Totals
2006	\$ 2,308,088	\$ 14,970	\$ 28,614	\$ --	\$ 2,351,672
2007	\$ 2,397,684	\$ 26,739	\$ 13,753	\$ --	\$ 2,438,176
2008	\$ 2,543,431	\$ 17,198	\$ 12,568	\$ --	\$ 2,573,197
2009	\$ 4,427,325	\$ 17,037	\$ 50,283	\$ --	\$ 4,494,645
2010	\$ 4,369,487	\$ 10,393	\$ 14,714	\$ --	\$ 4,394,594
2011	\$ 4,244,470	\$ --	\$ 19,216	\$ --	\$ 4,263,686
2012	\$ 4,446,092	\$ --	\$ 28,690	\$ --	\$ 4,474,782
2013	\$ 4,571,071	\$ --	\$ 24,746	\$ --	\$ 4,595,817
2014	\$ 4,675,523	\$ --	\$ 45,152	\$ 125,000	\$ 4,845,675
2015	\$ 4,819,869	\$ --	\$ 48,977	\$ 50,000	\$ 4,918,846

Source: School records

**Princeton Charter School**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**Unaudited**

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total School	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Loans Payable	Capital Leases	Capital Leases				
2006	\$ --	\$ 4,749,630	\$ --	\$ --	\$ 4,749,630	0.34%	\$ 155.94	
2007	\$ --	\$ 4,478,186	\$ --	\$ --	\$ 4,478,186	0.29%	\$ 145.77	
2008	\$ --	\$ 3,683,157	\$ --	\$ --	\$ 3,683,157	0.23%	\$ 119.29	
2009	\$ --	\$ 8,420,000	\$ --	\$ --	\$ 8,420,000	0.52%	\$ 273.31	
2010	\$ --	\$ 8,420,000	\$ --	\$ --	\$ 8,420,000	0.54%	\$ 273.51	
2011	\$ --	\$ 8,256,323	\$ --	\$ --	\$ 8,256,323	0.56%	\$ 288.57	
2012	\$ --	\$ 7,969,065	\$ --	\$ --	\$ 7,969,065	0.53%	\$ 282.53	
2013	\$ --	\$ 7,670,104	\$ --	\$ --	\$ 7,670,104	0.48%	\$ 267.47	
2014	\$ --	\$ 7,358,963	\$ --	\$ --	\$ 7,358,963	0.45%	\$ 253.40	
2015	\$ --	\$ 7,756,000	\$ --	\$ --	\$ 7,756,000	N/A	N/A	

Note: Details regarding the School's outstanding debt can be found in the notes to financial statements.

**a** See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

**b** Includes Early Retirement Incentive Plan ("ERIP") refunding.

**Princeton Charter School  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
Unaudited**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2005	30,458	\$ 1,409,413,492	\$ 46,274	2.90%
2006	30,721	1,542,163,479	50,199	3.60%
2007	30,876	1,605,150,612	51,987	4.40%
2008	30,808	1,618,066,968	52,521	4.80%
2009	30,785	1,569,757,935	50,991	8.30%
2010	28,611	1,479,360,366	51,706	8.30%
2011	28,206	1,495,961,622	53,037	8.10%
2012	28,676	1,603,934,708	55,933	5.40%
2013	29,041	1,652,607,146	56,906	3.90%
2014	30,108	N/A	N/A	3.70%

**Source:**

<sup>a</sup> Population information provided by the NJ Department of Education

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

<sup>c</sup> Per capita personal income by county (Mercer County) based on Census Bureau mid-year population estimates

<sup>d</sup> Unemployment data provided by the NJ Department of Education for recent years

**Princeton Charter School  
Principal Employers,  
Current Year and Nine Years Ago  
Princeton  
Unaudited**

**Exhibit J-15**

<b>2015</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Municipal Employment</b>
Tyco	5,000	1	20.71%
Bristol-Myers Squibb	4,500	2	18.64%
Princeton University	4,500	3	18.64%
Deloitte	3,000	4	12.43%
Covance Inc	2,001	5	8.29%
D J Cash Management Inc	1,500	6	6.21%
Citiustech	1,001	7	4.15%
Munich Reinsurance America Inc	1,001	8	4.15%
URS Corp	1,000	9	4.14%
Heartland Payment Systems Inc	635	10	2.64%
	<u>24,138</u>		<u>100.00%</u>

Source: ReferenceUSA database

<b>2006</b>			
<b>Employer</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total Municipal Employment</b>
Trustees of Princeton University	5,245	1	53.98%
Church & Dwight Co.	600	4	6.17%
Princeton Public Schools	625	3	6.43%
University Medical Center at Princeton	2,482	2	25.54%
Princeton Plasma Physics Lab	485	5	4.99%
Princeton Theological Seminary	280	6	2.89%
	<u>9,717</u>		<u>100.00%</u>

Princeton Charter School  
 Full-time Equivalent School Employees by Function/Program,  
 Last Ten Fiscal Years  
 Unaudited

Exhibit J-16

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction										
Regular	24	25	28	28	28	28	28	28	30	28
Other special education	4	4	3	4	4	4	4	5	5	6
Support Services:										
School counselor	--	--	--	--	1	1	1	1	1	1
General administration and business services	2	2	2	3	3	3	3	3	3	4
School administrative services	2	2	2	2	3	3	3	3	4	5
Plant operations and maintenance	1	1	1	1	1	1	1	1	1	1
Total	<u>33</u>	<u>34</u>	<u>36</u>	<u>38</u>	<u>40</u>	<u>40</u>	<u>40</u>	<u>41</u>	<u>44</u>	<u>45</u>

Source: School personnel records

Princeton Charter School  
 Operating Statistics,  
 Last Ten Fiscal Years  
 Unaudited

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2006	286	\$ 2,979,265	\$ 10,417	8.94%	28	11:1	286.0	274	2.14%	95.80%
2007	289	\$ 3,620,622	\$ 12,528	20.27%	29	10:1	289.0	280	1.05%	96.89%
2008	293	\$ 3,674,777	\$ 12,542	0.11%	31	10:1	293.0	283	1.38%	96.59%
2009	318	\$ 4,147,850	\$ 13,044	4.00%	32	10:1	318.0	305	8.53%	95.91%
2010	344	\$ 4,339,711	\$ 12,615	-3.28%	32	11:1	344.0	331	8.18%	96.22%
2011	344	\$ 4,325,974	\$ 12,576	-0.32%	32	11:1	343.9	334	-0.03%	97.15%
2012	344	\$ 4,695,421	\$ 13,649	8.54%	32	11:1	344.0	333	0.03%	96.86%
2013	344	\$ 5,000,196	\$ 14,535	6.49%	33	11:1	344.1	332	0.03%	96.48%
2014	344	\$ 5,213,605	\$ 15,156	4.27%	35	10:1	344.0	332	0.09%	96.51%
2015	348	\$ 5,695,765	\$ 16,367	7.99%	34	11:1	347.2	335	0.93%	96.49%

**Sources:** School records and Schedules J-4 and J-16

**Note:** Enrollment based on final June enrollment count.

- a Operating expenditures equal total expenditures less debt service, capital outlay, and construction in progress (J-4).
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary ("SRS").

**Princeton Charter School  
School Building Information  
Last Ten Fiscal Years  
Unaudited**

**Exhibit J-18**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b><u>Charter School Buildings</u></b>										
Multi-Purpose Campus Center										
Square Feet	N/A	N/A	N/A	N/A	17,000	17,000	17,000	17,000	17,000	17,000
Capacity (Students)	N/A	N/A	N/A	N/A	1,100	1,100	1,100	1,100	1,100	1,100
Enrollment	N/A									
K-4 School Building (2003)										
Square Feet	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800	14,800
Capacity (students)	110	110	110	135	159	159	159	159	159	159
Enrollment	108	107	107	132	156	156	156	156	156	159
5-8 School Building (1963)										
Square Feet	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800	16,800
Capacity (students)	180	186	186	188	188	188	188	188	188	188
Enrollment <sup>a</sup>	179	183	186	188	188	188	188	188	188	188
Business Office Building -Marsee Center (1879)										
Square Feet	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Number of Schools at June 30, 2015										
Elementary = 1										
Middle School = 1										

**Source:** School Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of additions. Enrollment is based on the final June school count.

**Princeton Charter School  
Insurance Schedule (Unaudited)  
June 30, 2015**

**Exhibit J-20**

	Coverage	Deductible
School Package Policy - N.J. School Boards Association Insurance Group:		
Property:		
Blanket building and contents	\$ 14,497,422	\$ 1,000
Blanket extra expense	\$ 50,000,000	\$ 1,000
Blanket valuable papers and records	\$ 10,000,000	\$ 1,000
Business Income	\$ 3,000,000	\$ --
Loss of rents	\$ 25,000	\$ --
Flood - zones A & V- Pool Aggregate	\$ 15,000,000	\$ 500,000
Flood - all other	\$ 75,000,000	\$ 10,000
EDP:		
Blanket hardware/software	\$ 250,000	\$ 1,000
Blanket extra expense	Included	\$ --
Equipment Breakdown:		
Property Damage & Extra Expense	\$ 100,000,000	\$ 1,000
Crime:		
Public employee dishonesty	\$ 250,000	\$ 500
Forgery or alteration	\$ 50,000	\$ 500
Computer fraud	\$ 250,000	\$ 500
Money orders & counterfeit papers	\$ 50,000	\$ 500
Loss of money & securities	\$ 50,000	\$ 500
General Liability:		
Each Occurrence CSL	\$ 16,000,000	\$ --
Products/Completed Ops Ann Agg	\$ 16,000,000	\$ --
Sexual abuse per occ	\$ 16,000,000	\$ --
Sexual abuse annual pool agg	\$ 17,000,000	\$ --
Personal injury & advertising injury	\$ 16,000,000	\$ --
Employee benefits	\$ 16,000,000	\$ 1,000
Medical Payments	\$ 10,000	\$ --
Automobile:		
Comprehensive automobile liability	\$ 16,000,000	\$ 1,000
Errors and Omissions - N.J. School Boards Association Insurance Group	\$ 16,000,000	\$ 5,000
Boiler and Machinery - N.J. School Boards Association Insurance Group	\$ 100,000,000	\$ 1,000
Workers Compensation - ERIC NORTH SUB- FUND		
Bodily Injury by Accident	\$ 2,000,000	Each Acc.
Bodily Injury by Disease	\$ 2,000,000	Each Employee
Bodily Injury by Disease	\$ 2,000,000	Agg. Limit
Supplemental Workers Compensation -N.J. School Boards Association Insurance Group:		
Maximum weekly benefit ( 52 weeks Maximun Benefit Period)	\$ 2,500	\$ --
Student Accident Insurance		
Basic sports K-8	\$ 5,000,000	\$ --
Volunteer Coverage	\$ 25,000	\$ --
Bond	Diane Potorski	\$ 175,000
Group Catastrophe Access Program		
Limit each occurrence	\$ 50,000,000	\$ --
Aggregate	\$ 50,000,000	\$ --

**Princeton Charter School  
Governmental Funds  
Financial Performance – Fiscal Ratios (Unaudited)  
June 30, 2015**

**Exhibit J-21**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	
Cash	\$ 536,150	\$ 427,747	\$ 295,007	
Current assets	568,644	588,334	369,067	
Total assets and deferred outflows	13,989,992	13,479,980	12,898,352	
Current liabilities	97,353	101,118	106,097	
Total liabilities	8,561,528	8,173,347	8,596,910	
Net position	5,428,464	5,306,633	4,268,044	
Total revenue	5,875,518	5,962,984	6,160,495	
Total expenses	<u>5,893,149</u>	<u>5,947,059</u>	<u>6,384,741</u>	
Change in net position	(17,631)	(121,831)	(508,471)	
Depreciation expense	535,290	558,070	561,049	
Principal debt payments	298,961	311,141	323,818	
Interest payments	327,663	313,140	300,679	
Final average daily enrollment	344.1	344.4	347.2	
March 30th budgeted enrollment	348	348	348	
Near term indicators	<u>2013</u>	<u>2014</u>	<u>2015</u>	<b>Three Year Cumulative</b>
Current ratio	5.84	5.82	3.48	5.05
Unrestricted days cash	33.21	26.25	16.86	25.44
Enrollment variance	98.9%	99.0%	99.8%	99.2%
Default	No	No	No	
Sustainability indicators				
Total margin	-0.30%	-2.04%	-8.25%	-3.53%
Debt to asset	0.61	0.58	0.64	0.64
Cash flow	41,195	(108,403)	(132,740)	88,232
Debt service coverage ratio	1.35	1.18	1.33	1.29

**SINGLE AUDIT SECTION**

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Additional Offices in New Jersey, New York,  
Pennsylvania, Massachusetts, Florida,  
Colorado and Grand Cayman

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with *Government Auditing  
Standards***

**Independent Auditors' Report**

The Honorable Chairperson and Members  
of the Board of Trustees  
Princeton Charter School  
Princeton, 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 audit requirements 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 Princeton Charter School as of and for the fiscal year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Princeton Charter School's basic financial statements and have issued our report thereon dated December 17, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Princeton 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 Princeton Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Princeton 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Princeton 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 matters that are required to be reported under *Government Auditing Standards* and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

**Purpose of this Report**

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

December 17, 2015  
New Brunswick, NJ

WithumSmith+Brown, PC

A handwritten signature in blue ink, appearing to read 'James J. Decker', written over a horizontal line.

James J. Decker  
Licensed Public School Accountant #2502  
Certified Public Accountant

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Colorado and Grand Cayman

**Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and  
Report on the Schedule of Expenditures of State Financial Assistance as Required by the State of New  
Jersey, Department of the Treasury OMB Circular 04-04**

**Independent Auditors' Reports**

The Honorable Chairperson and Members  
of the Board of Trustees  
Princeton Charter School  
Princeton, New Jersey

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

We have audited Princeton 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 Princeton Charter School's major state programs for the fiscal year ended June 30, 2015. Princeton Charter School's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Princeton 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; and New Jersey OMB Circular 04-04 *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards and circulars 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 Princeton 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 federal and state program. However, our audit does not provide a legal determination of Princeton Charter School's compliance.



### Opinion on Each Major State Program

In our opinion, Princeton Charter School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2015.

### Report on Internal Control Over Compliance

The management of Princeton 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, we considered Princeton Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Princeton 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 would not necessarily 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.

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

December 17, 2015  
New Brunswick, NJ

WithumSmith+Brown, PC

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James J. Decker  
Licensed Public School Accountant #2502  
Certified Public Accountant

**Princeton Charter School  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2015**

Schedule A

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Award Amount	Balance at June 30, 2014	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2015		
			From	To							Accounts Receivable	Deferred Revenue	Due to Grantor
<b>U.S. Department of Education</b>													
<b>Passed-through State Department of Education</b>													
NCLB Consolidated													
Title II Part A	84.010	NCLB-7540-13	7/1/2013	6/30/2014	4,127	(412)	412	--	--	--	--	--	--
Title II Part A	84.010	NCLB-7540-14	7/1/2014	6/30/2015	4,068	--	4,068	(4,068)	--	--	--	--	--
Special Education Cluster													
I.D.E.A Part B, Preschool Regular	84.027	IDEA-7540-15	7/1/2014	6/30/2015	907	--	907	(907)	--	--	--	--	--
I.D.E.A Part B, Basic Regular	84.027	IDEA-7540-15	7/1/2014	6/30/2015	48,106	--	48,106	(48,106)	--	--	--	--	--
Total U.S. Department of Education						<u>\$ (412)</u>	<u>\$ 53,493</u>	<u>\$ (53,081)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>U.S. Department of Agriculture</b>													
<b>Passed-through State Department of Education</b>													
Enterprise Fund:													
National School Lunch Program	10.555	N/A	7/1/2013	6/30/2014	8,813	(491)	491	--	--	--	--	--	--
National School Lunch Program	10.555	N/A	7/1/2014	6/30/2015	7,701	--	8,303	(7,701)	--	--	602	--	--
Total U.S. Department of Agriculture						<u>\$ (491)</u>	<u>\$ 8,794</u>	<u>\$ (7,701)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 602</u>	<u>\$ --</u>	<u>\$ --</u>
Total Federal Awards Assistance						<u>\$ (903)</u>	<u>\$ 62,287</u>	<u>\$ (60,782)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 602</u>	<u>\$ --</u>	<u>\$ --</u>

See Independent Auditors' Report.  
See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**Princeton Charter School  
Schedule of Expenditures of State Awards  
Year Ended June 30, 2015**

**Schedule B**

State Grantor / Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2014		Carryover / (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments / Repayment of Prior Years' Balances	Balance June 30, 2015			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor					(Accounts Receivable)	Deferred Revenue / Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Charter School Adjustment Aid	(A)	7/1/13- 6/30/14	447,031	\$ --	\$ 1,124	\$ --	\$ --	\$ --	\$ (1,124)	\$ --	\$ --	\$ --	\$ --	\$ --
Charter School Adjustment Aid	(A)	7/1/14- 6/30/15	353,450	--	--	--	353,450	(353,450)	--	--	--	--	--	(353,450)
Non-Public Aid	(A)	7/1/14- 6/30/15	79,147	--	--	--	--	(79,147)	--	--	--	--	--	(79,147)
Security Aid	(B)	7/1/14- 6/30/15	24,919	--	--	--	--	(24,919)	--	--	--	--	--	(24,919)
Special Education Aid	(B)	7/1/14- 6/30/15	48,180	--	--	--	--	(48,180)	--	--	--	--	--	(48,180)
TPAF Social Security Aid (Reimbursed)	14-495-034-5095-002	7/1/13- 6/30/14	176,166	(8,670)	--	--	8,670	--	--	--	--	--	--	--
TPAF Social Security Aid (Reimbursed)	15-495-034-5094-003	7/1/14- 6/30/15	187,722	--	--	--	178,514	(187,722)	--	(9,208)	--	--	--	(187,722)
Enterprise Fund:														
State Lunch Program	14-100-010-3350-023	7/1/13- 6/30/14	806	(82)	--	--	--	--	--	--	--	--	--	--
State Lunch Program	15-100-010-3350-023	7/1/14- 6/30/15	674	--	--	--	728	(674)	--	(54)	--	--	--	(674)
Total State Awards				<u>\$ (8,752)</u>	<u>\$ 1,124</u>	<u>\$ --</u>	<u>\$ 541,362</u>	<u>\$ (694,092)</u>	<u>\$ (1,124)</u>	<u>\$ (9,262)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (694,092)</u>

(A) Consists of State Charter School Adjustment Aid and Non-Public Aid

(B) Unidentified

See Independent Auditors' Report.  
See accompanying Notes to Schedules of Expenditures of Federal and State Awards.

**Princeton Charter School**  
**Notes to Schedules of Expenditures of Federal and State Awards**  
**June 30, 2015**

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**1. General**

The accompanying schedules of expenditures of federal and state awards include federal and state award activities of Princeton Charter School. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal and state awards are presented using 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 School's basic financial statements. The information in these schedules is presented in accordance with the requirements of *Non-Profit Organizations* and New Jersey's OMB Circular NJOMB 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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 when expenditures have been made.

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 revenue, whereas the GAAP basis does not. There were no differences between this budgeting basis and GAAP for this current fiscal year. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF pension contributions revenue of \$364,543.

Awards and financial assistance revenue are reported on the School's basic financial statements on a GAAP basis as presented below:

	<b>Federal</b>	<b>State</b>	<b>Total</b>
General Fund	\$ --	\$ 693,418	\$ 693,418
Special Revenue Fund	53,081	--	53,081
Enterprise Fund	<u>7,701</u>	<u>674</u>	<u>8,375</u>
Total Financial Assistance/Awards	<u>\$ 60,782</u>	<u>\$ 694,092</u>	<u>\$ 754,874</u>

**Princeton Charter School**  
**Notes to Schedules of Expenditures of Federal and State Awards**  
**June 30, 2015**

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**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.

**5. Federal and State Loans Outstanding**

Princeton Charter School has the following federal and state loans outstanding at June 30, 2015:

<b>Loan Program Title</b>	<b>Amount Outstanding</b>
Peapack-Gladstone EDA loan	\$ 7,391,000

**6. Other**

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2015.

**Princeton Charter School  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

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**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: unmodified

Internal control over financing reporting:

- 1) Material weakness(es) identified?  Yes  No
- 2) Significant deficiencies identified?  Yes  None reported

Non-compliance material to basic financial statements noted?  Yes  No

**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 programs:

	<b>Grant Number</b>	<b>Grant Period</b>	<b>Award Amount</b>	<b>Budgetary Expenditures</b>
Charter School Adjustment Aid	(A)	07/01/14 – 06/30/15	\$ 353,450	\$ 353,450

(A) Consists of state aid from constituent school districts; requirements for "State Aid-Public" were utilized as single audit requirements for this aid as a breakdown between all of the various aid categories is not possible.

**Section II – Financial Statement Findings**

- The audit did not disclose any findings required to be reported under Generally Accepted *Government Auditing Standards*.

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

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal circular and New Jersey OMB Circular NJOMB 04-04.

**Princeton Charter School  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2015**

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**Status of Prior Year Audit Findings**

There were no prior year audit findings.